THE MAGAZINE OF WALL STREET

JULY 8, 1933

Market Enters New Phase

By A. T. MILLER

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Can Business Maintain the Pace?

By JOHN D. C. WELDON

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Stocks Which Should Show Large Gains in Earnings

Selections by The Magazine of Wall Street Staff

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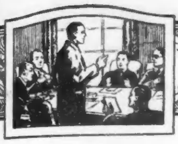

WITH THE EDITORS

Are We Honest Enough?

THE great experiment in the ordering of business which the nation has undertaken will rest upon the observance of codes of fair competition. Hitherto competition has been the life of trade, at least from the Government point of view. Now the discovery has been made that in recent years competition has been the death of trade. The anti-trust laws were aimed at the compulsion of competition. The new deal seeks to soften and refine competition. It purposes to abolish the only sort of competition that many if not most traders understand—the competition of the cut price. Assuming that a minimum price can be established its observance depends upon a complexity of qualities and grades. The price-cutter will tend to become a cheater—the game will be to beat the rules—the code. The socialists say that under the profit system society can no more have fair competition than a wolf pack tearing and rending the carcass of the prey. However, as the new scheme seeks first to create something to hunt—profits—there may be a chance that co-operation in providing the quarry may be continued into its division. In trying to regain our lost riches we may gain in ethics. Virtue may be its own reward, and something more—especially if the villains of the piece are denied licenses to play. At any rate business has the chance it has long clamored for—the chance to replace destructive competition with constructive cooperation—to be decent with itself and fair to the public. Can it seize the opportunity now that it has at last been presented. The answer will be soon determined by its degree of honesty—honest in the broadest sense.

In the Next Issue

The Pressure of New Taxes on Business and Investment

By John C. Cresswell

Recent legislation and the government's quest for new revenues has not only imposed an excessive tax burden on the individual but on the corporation as well. This is of vital import to security holders. How will the tax on dividends, the excess profit tax, the corporate income tax, the processing tax, affect various companies and the stockholders thereof?

Will Purchasing Power Sustain Business Activity?

By John D. C. Weldon

Business activity has received a tremendous impetus from the fact that inventories were low and shelves bare. The threat of rising prices has produced great buying activity and a corresponding step up in production in nearly all lines. This, however, can only be sustained if the individual consumer is provided with sufficient purchasing power. What are the prospects for increasing employment, wages, retail prices?

Low-Priced Rails With Profit Potentialities

By Herbert C. Slater

Can Steel Maintain Its Present Pace of Recovery?

By C. M. Holmes

Appraising Municipal Bonds as Investments

By Francis P. Sullivan

—How to judge the merits of municipal issues under present day conditions.

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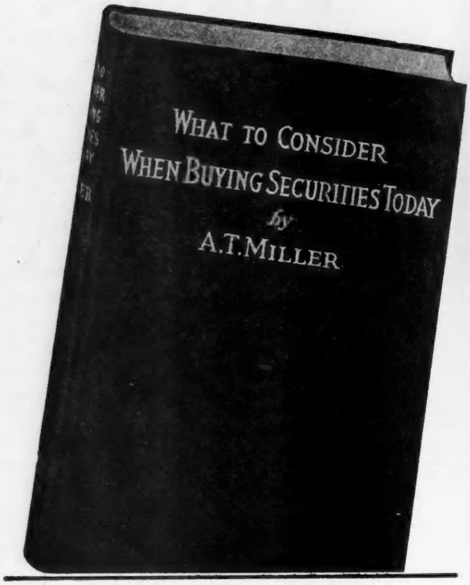

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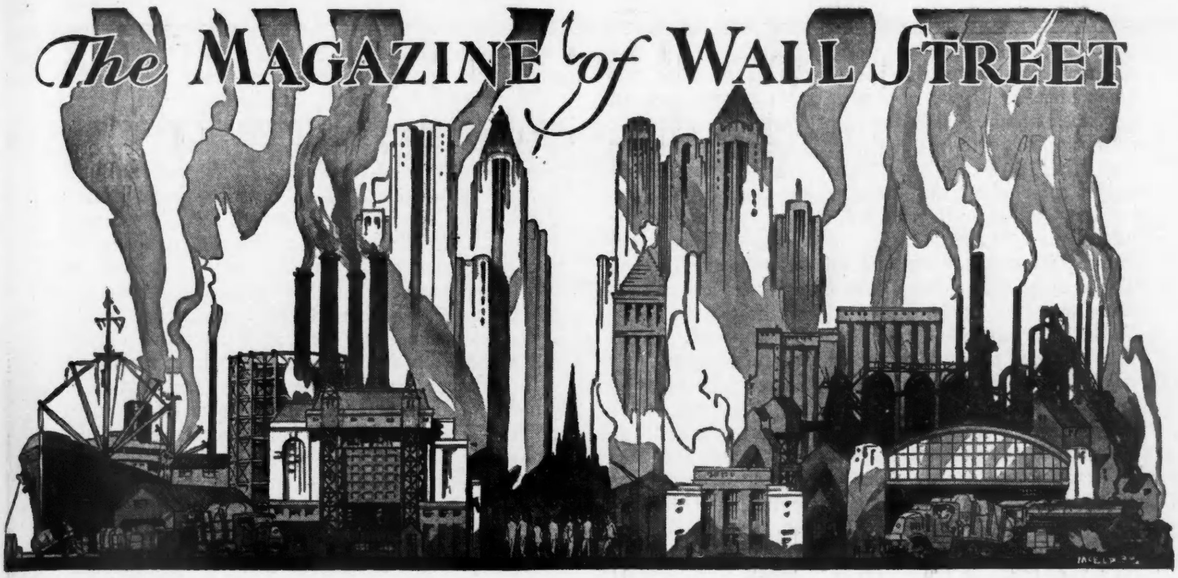

E. Kenneth Burger
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The Trend of Events

RECOVERY IS HERE

THE prospect of currency inflation in some form or another and the placing in the President's hands of the power to realize it at will may be credited with a large part in reviving enterprise, but the cheering fact remains that recovery is indisputably on the way without inflation. Not only that but it is on its way without recourse to credit. The fact that signs of recovery are reported from all parts of the world suggests that while artificial measures have undoubtedly contributed to revival, the natural terminus of the depression has come. Business is improving because it had to improve.

The great question that now confronts the nation is whether the score of recuperative measures enacted by Congress—many of them strange and fraught with destructive possibilities—may not check and even block the natural tendency. The emergency demanded momentous experiments; and every form of business finds itself, in the first glow of returning health, confronted by new and strange regulations and profound changes in its accepted methods. On the one hand the artificial stimulation opens a prospect of feverish expansion; on the other hand it has the menace of strangulation by bureaucracy. In the very midst of long unaccustomed activity the industrial and commercial world is faced by untried measures designed to prevent excessive or unbalanced production, and foster distribution of labor opportunities, shortening of hours and increase of pay. At the same time profits are to be restricted and individual initiative curbed to conform to economic team work. Still suffering from too little activity, business is commanded to restrain itself in order to guard against future illness.

On the whole, though, repression, whether voluntary or imposed, if applied with discretion, will probably be salutary. Otherwise the business patient may overdo in the joy of his new vigor and suffer a relapse. Such a relapse would have untold possibilities of social upheaval and disintegration. The country needs to do less now than it may, to the end that in the not distant future it may do more than ever before without dangerous stress and strain.

WHAT SHALL BE SACRIFICED?

REPORTS from London indicate that other nations are in complete agreement that the best way to reform international trade is to begin with a reduction of American tariffs. That is to say they have agreed that we ought in the

common interest to give them a larger share of our home market. If we buy more from outside we can buy less at home. That would probably necessitate the extinction of some of our domestic industries. But, on the other hand, buying more from overseas will enable some of our industries to sell more beyond our borders. What industries are willing to die that the others may flourish? Will the steel industry or the automobile industry commit suicide or curtail heroically in order that we may take British steel and French automobiles in exchange for more wheat and cotton. When they are willing—and not before—will we get this freedom of trade we hear so much about. For our part we would suggest that the real expansion of freedom of trade that is feasible now is that which would flow from the disuse of quotas, licenses, and restrictive administrative regulations. International trade as now conducted or permitted is a game to manipulate trade balances rather than to satisfy mutual needs. Moreover all nations have some tariffs that are nothing but irritants and others that are excessively high. We can trim off these abuses, leave some room for competitive international trade—and then agree to treat such trade fairly and decently.

DOLLAR STABILIZATION

OUT of the rapidly shifting scenes of the International Economic Conference there may come at any moment a decision to peg the principal currencies of the world at somewhere near their *de facto* quotations with reference to the franc and, therefore, with reference to each other.

From the point of view that stabilization at the lowest possible point best serves American interests it may be suggested that the sooner it is undertaken the better, if the *de facto* position is to be accepted. There is reason to believe that the dollar is artificially low at present—in the sense that it does not reflect unhampered exchange appraisals. Balances that would normally be converted into dollars as soon as created are being left abroad in the expectation that the dollar will go still lower. This condition can not continue indefinitely. The demand for dollar settlements will normally soon be strong, whether from a conviction that the tide must turn or from the increasing balances which the flow of international commerce in the autumn will compel. The excess of exports is normally heavier toward the end of the year, and exporters will need cash here.

It is generally agreed that the program of raising the prices of export commodities is largely dependent upon the continued depreciation of the dollar abroad, although domestic price changes through governmental intervention are now becoming potent factors. If left to itself the probabilities are that the dollar will begin to climb. The tendency may be so strong that counter exchange manipulation may not only be costly but futile. Yet it must be kept in mind that domestic price manipulation plus the inflationary operations of nature may give us domestic prices on export commodities that will be out of line with the fallen dollar. That would mean a curtailment of exports and less pressure to bring the balances home from abroad.

On the whole, though, unless "new deal" policies aim at an epochal world-wide revaluation of currencies in gold, our judgment is that this is the opportune moment for stabilization on a *de facto* basis. But it is the part of caution to keep in mind that all our national policies are now dictated by a government which has completely broken with the past. Stabilization by agreement at London may be flouted, there may be a complete reversal of our gold suppression policy and we may have a free gold market in New York whose quotations may eventually determine the statutory revaluation of currencies throughout the world.

In the next few days we may be face to face with a decision of incalculable inflationary effect on commodities and securities. It hardly seems realizable, but in view of the startling changes we have already witnessed in finance, money, securities and business within the last four months it is well to be ready for a change that may control price levels for a century to come.

BUYING FOR KEEPS

CASH buying of stocks has always been regarded as good buying in Wall Street, because it usually connotes buying "for keeps"—more or less. Owners of securities put away in the strong box seldom seek to take advantage of intermediate reactions. Having purchased with intent to hold for the duration of the recovery—be it two, three or four years, or more—nothing short of a major threat to economic progress will induce them to throw their holdings upon the market.

The signs and indications, as we read them, all point to an unusually large proportion of cash buying throughout the current upswing. Even after allowing for the fact that new security offerings have been light and also for the fact that Federal Reserve purchases of governments have tended to hold down loan totals, the increase in brokers' loans has so far been relatively small in relation to the advance in stock prices. Compared with the peak of 1929, which was 6,800 millions, the latest total of 764 millions is insignificant. Although the latest figure is not available, the ratio of aggregate market values of all stocks is now probably around 1.20 to 1.50 per cent, as against close to 10 per cent in 1929.

Low stock prices for even many of the standard issues have, of course, contributed to the ease with which the public has financed its own market ventures. But more than anything else, widespread cash buying may be taken to mean complete rehabilitation of confidence in the future.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 259. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, July 3, 1933.

Market Enters New Phase

Increasing Sensitivity and Selectivity Important Factors in the Prospect

By A. T. Miller

SUMMER seems likely to become a season of greater selectivity and sensitivity in the stock market. Spring was a season of hope renewed, and of ardent efforts to discount that hope, efforts which became rather enthusiastic at times. From present prospects summer gives promise of ushering in a new market phase.

By all ordinary measures the market has completed the first phase of its recovery movement. Total volume of trading on the New York Stock Exchange in June has been exceeded only once before, in any month, in history—October, 1929. The June total was more than 125,600,000 shares, as against more than 141,600,000 in the month of the memorable crash. Recently, however, volume has tapered off noticeably, except in a few specialties. And during the past fortnight the advance also has slowed down considerably. Taking an average group of representative industrials and rails, the advance during both April and May was approximately 16 points. The advance recorded for June is approximately 7 points.

The first phase of the recovery movement might be characterized as a "horizontal" readjustment of prices of nearly all stocks to the suddenly injected prospects of inflation and accelerated business recovery under legislated economy. During this phase equities were purchased without much discrimination by a great many people whose sole purpose was to "get into the stock market" before the depreciation of the dollar had gone to great lengths.

Under this resistless urge, stocks of all kinds and descriptions went up whether or not there existed any ponderable reason for price appreciation. All-inclusive was the speculative mania of the moment.

As it has turned out, there wasn't a great deal of risk attached to buying almost any listed stock during April and May, if we except some which were deprived of trading privileges or hit by receivership. But, in July, the picture is quite different. The risk of being hung up in stocks selling at two or three times—and in some cases the multiplier is considerably larger—the prices that prevailed in the early stages of the advance is sufficient to give pause to the reasonably cautious.

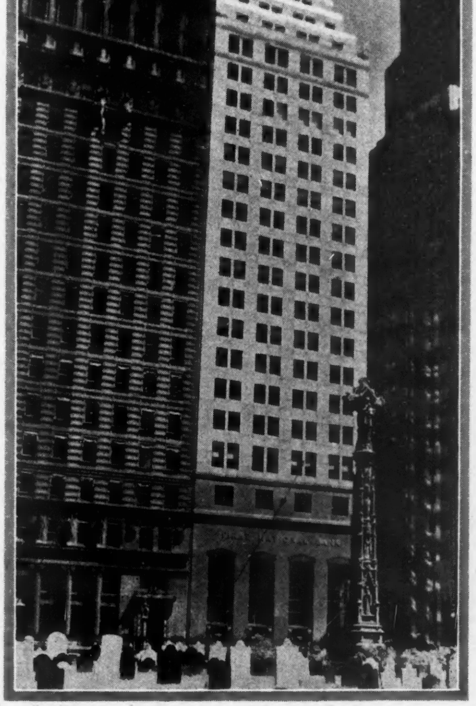
And that is why the market is now entering the phase of greater selectivity. Of course, it has been selective to a certain degree from the start, in the sense that well-selected stocks have enjoyed broader gains than those picked by hit or miss methods. But careful selection is now going to be more essential to successful operations. In the broad upward surge many stocks have run far ahead of even enthusiastic near-term earnings possibilities—and there are some which have discounted improvement which may never materialize—for them. Other stocks, although they have risen substantially from their lows, are governed by conditions within their industries or applying only to themselves which will likely justify something in the nature of a sustained advance over a long period.

Another angle of selectivity is this: Certain stocks, such as some of the low-priced issues, were particularly attractive during the first phase of recovery for the reason that they could be relied upon to show relatively large gains on a percentage basis. But the buyer now needs to examine such holdings carefully to determine whether they are the sort which may be held for the long months of sustained business recovery which probably lie ahead. Stocks, in relation to market action, are like runners in a race; the sprinter over short distances has different characteristics than the runner selected for the long grind of the miles and the marathon.

An early emphasis is likely to be placed upon selectivity by the appearance of earnings statements soon due for the second quarter of the year. While many of these will be disappointing to specula-

Landmarks of Wall Street, Old and New

No. 11



Nesmith Photo

New First National Bank Building at No. 2 Wall

tors who have jumped into the market blindly, there will undoubtedly be many distinctly favorable exhibits to put new life into the securities concerned—or, if the market feels that way, to form a basis for profit-taking. Judging by advance indications, generally favorable comparisons should be made by steels, chemicals, textiles and motors.

"Greater selectivity" is not something lightly to be passed off as only a phrase. The fact is that the stock market is already showing evidences of its application, not only in the slowing down of the upward movement of the general average, but also in the larger volume of offerings on bulges in specialties. Another evidence is to be seen in the market's refusal to become generally enthused over the skyrocketing of some of the beer, alcohol and "repeal" stocks.

"Great sensitivity" means simply that the higher the market rises the more easily it is upset by rumors or adverse developments. But the writer means to infer something more than that; the thought is that the market still has a great many untried bridges to cross, and probably it also has ahead of it some smooth and hard highways which will be a temptation and a justification for putting on additional speed.

> ***An early emphasis is likely to be placed upon selectivity by the appearance of earnings statements soon due for the second quarter of the year. While many of these will be disappointing to speculators who have jumped into the market blindly, there will undoubtedly be many distinctly favorable exhibits to put new life into the securities concerned—or, if the market feels that way, to form a basis for profit-taking. Judging by advance indications, generally favorable comparisons should be made by steels, chemicals, textiles and motors.***

There is the bridge of dollar stabilization, for instance. That crossing has been put off into the future, how near or how distant no one at the moment knows. When the time does come for greater stability in the dollar the market is likely to respond, as it did to recent premature announcements, by dipping sharply downward. From a higher level it could dip more sharply then it did in the previous instance.

Then there is the matter of establishing a free gold market. There is certainly a strong possibility if not a probability of such a market being established in New York. So far, the inflationary effect of the dollar's fall in foreign exchange has been reflected only in the prices of international commodities and in securities which have more or less of an international market. The establishment of a free gold market here would bring home to all America the fact that our currency has depreciated; for, based on the London market, gold would bring a premium of upwards of $7 an ounce. This could hardly help adding fuel to the inflationary fire, which would rekindle the flame of speculation and rising prices for goods, commodities and stocks.

Every day France's hold on the gold standard is becoming more precarious. Final abandonment seems almost a foregone conclusion, but no one can predict with assurance the actual outcome or the time. If France does abandon gold, the dollar will be strengthened. Dollars "in flight" may then have no place to turn but home. If the dollar rises, stocks will fall in due proportion—at least in the early stages. If the dollar's rise should be abrupt and far-reaching, the fall in stocks might become something of a rout. This is a bridge which will put to a real test the market's sensitivity and its faith in the fundamental nature of business recovery.

Recently there has been a demonstration of the market's increasing sensitivity in its response to gyrations in the wheat market. When wheat soared stocks rose sturdily, but with less volume than Wall Street has grown accustomed to. When wheat reacted, stocks turned downward in sympathy. Meanwhile, stocks continue sensitive to business and industrial news. And, as selectivity increases, certain groups will probably respond more positively to news developments which particularly concern them.

In addition, it must be borne in mind that, technically, the market's position appears to be more vulnerable than was the case at the beginning of June. There may be evidence that the market is temporarily tired in the fact that recent sessions have not given full response to the further fall in the dollar. As an offset to this there are indications that a large volume of cash buying has been taking stocks out of the market, perhaps giving a temporary scarcity value to some securities and removing the threat of just so much frightened selling in any sudden reversal of sentiment.

As was indicated by us previously, we believe that conservative observers, both in Wall Street and Washington, would welcome a few weeks of relative quiet. This may be a natural result of some summer slackening in business toward the middle of July, or it may be the result of some of the difficult bridges the market will have to cross. If the business news continues as favorable as it has been—with electric power output, steel operations, car-loadings, bank clearings, wholesale prices and factory operations maintaining their upward movement, and with wage increases and re-employment a matter of almost daily announcement—the summer stock market lull may be nothing worse than a sidewise movement pending the quickening influence of the greater impetus which general business is expected to acquire with the approach of autumn. Considering the violence of the price movement and the great volume of transactions during the past three months, it seems altogether too optimistic to expect no interruption to the upward course of stock prices throughout the summer.

There are some indications, in fact, that business as well as the stock market has been doing considerable anticipating. Manufacturers have been building up stocks of finished products in advance of expected increases in costs due to higher material prices and wages. Wholesalers report that in some instances manufacturers have filled anticipated raw material requirements until the first quarter of next year, while in other cases they have only partly supplied third quarter requirements for this year. Even if consumer demand comes up to expectations in the next two or three months, this feverish productive activity is liable to leave a little slack which will call for some slowing down later. One of the steel trade journals has just said, significantly: "So far as the steel industry is concerned the first phase of recovery appears to be over."

Failing to respond to the progressive depreciation of the dollar in terms of francs and pounds, also failing to be carried off its feet by skyrocketing alcohol and "repeal" stocks, and at the same time failing, in the railroad section, to give more than perfunctory notice to strikingly improved operating results, the market seems—by its own judgment

(Please turn to page 300)

Nationalism Defeating Internationalism

World Economic Conference Struggles with Reconciliation of External and Internal Policies and Stabilization of International Trade

By John C. Cresswill

(This informative article on the history making conference of 66 nations now in session in London is a compilation and digest of cablegrams and special dispatches from the Publisher of The Magazine of Wall Street, who is now in Europe, blended with data from other sources, both foreign and domestic.—Editor.)

APPARENTLY, the United States made an ignominious start in the Economic Conference. It seemed that shirt-sleeved American diplomacy was making a fool of itself. First it was represented as being for a 10 per cent slash all around in tariffs. Then it was for nothing of the kind. Then it was said to be for prompt temporary stabilization of currencies, and next it was the chief opponent of such stabilization.

Doubtless there was no little bungling and lack of teamwork, but how much of this was studied, and how much it was over-stressed by a concerted effort of foreign journalists and delegates to disparage and embarrass the United States delegation and get it into an apologetic and concessive mood is open to question. It may be conjectured that President Roosevelt was not indisposed to a show of divergence of views in the undisciplined American delegation. He knew that the obvious realities of the Conference and the general plan of imposing the burden of world readjustment upon the United States would soon result in voluntary solidarity, with America's pressing interests dominating present policies, leaving Mr. Hull's philosophy of lower tariffs to practical development at a more suitable time.

Nevertheless, America did make a great concession to world opinion on a vital point of international relations in an eleventh hour disposition of the international war debts. This concession on a subject which it had rigidly refused to have listed on the agenda of the Conference, although the other nations considered it of supreme importance, perhaps saved the Conference from disaster almost at the beginning. President Roosevelt's willingness to discuss debt revision singly with the debtor nations at Washington was as good as admission that the United States is not to be repaid for a long time, if ever. Thus, the most crucial question before the nations, according to Premier MacDonald, was disposed of outside of the Conference.

Only those who are behind the scenes will ever know how much this concession altered American attitude toward immediate stabilization of currencies. But since the definite determination had been reached that the bulk of the war debts was to be shifted from the shoulders of European taxpayers to those of American it became plain that a great impetus was given to a cheaper dollar with which to liquidate them.

Moreover, President Roosevelt is a prince of opportunists, and the bewilderment and erratic behavior of the American delegation are as much due to his nimble shifts of position as to differences of opinion within the delegation. The President—always living in the present—it seems, is as little interested now in the current fate of the gold standard as he is in the transmutation of gold. His big objective is immediate business restoration in the United States. The Conference was not two weeks old before Raymond Moley, Assistant Secretary of State, arrived to interpret to the Americans the President's latest

Acme Photo

King George Opening the World Economic Conference

position as last revealed. Moley's big message was that under no circumstances was the United States to let go the grip the tobogganing dollar gives it on international economic jockeying until it is assured of having what it wants—even if that is a bit vague. Parenthetically, let it be remembered that only four months ago America was ready to fight, bleed and die for the gold dollar.

Objectives of the Nations

The general American objective is a world-wide lifting of prices and a general drive to resuscitate business through extensive public works programs and expansion of credit.

The British objective jibes with the American in principle on the price side, but the approach is more cautious, and is controlled by the natural and proper purpose of holding Britain's international and commercial supremacy at any immediate cost.

The French objective is to maintain France's political supremacy on the Continent, to assure her national safety, both politically and economically, and to escape another devaluation of the franc. America inclines to debtors, France hesitates to sacrifice her creditor classes a second time, England considers both.

If these three powers agree the Conference will succeed. If they cannot agree, France and the few countries still remaining on gold may be forced off and the continuance of the conference will be seriously threatened.

Germany is intent upon making the conference a means of composing her financial difficulties, through extension of exports and relief from pressure by her foreign debtors.

The fact that Governor Cox was finally chosen over Bonnet, French minister of finance, for chairman of the monetary committee, reflects British satisfaction over the token payment device of saving the British credit the escutcheon from the stain of default. And the fact that the French delegation did not early desert the meeting indicates that the Americans convinced Bonnet that reckless currency inflation was not contemplated by the United States.

Yet to the champions of the old order the President's course is incomprehensible. His ablest financial advisor, Prof. Sprague, disagrees with him; as also the New York Reserve Bank, which stands with the Bank of France and the Bank of England in the conviction that there is something monetarily sacred about gold at a high valuation. But the President is adamant in his determination to safeguard American recovery even at the risk of temporary international discord. This is clearly revealed in his rejection of the compromise proposal submitted to him by the Conference on July 1. He refused to be swayed by the pseudo advantage of temporary stabilization and bade the Conference get down to fundamentals and longer term considerations of world problems. He is determined that "the United States seek the same kind of dollar which a generation hence will have the same purchasing and debt-paying power as the dollar value we hope to attain in the near future." Apparently the President believes that the thing to do is somehow to get rid of the idea of gold as the full standard of value in domestic transactions, abandon all thought of returning to convertibility, and use it only as the material of an international coinage unit. This coin might not physically exist at all, but would represent so much gold by weight.

The Problem of Nationalism

The outlook is that gold will remain the sole international standard, even though the imminent defection of France becomes an actuality, but at the same time silver will probably be admitted into the reserves of central banks to the extent of 25 to 50 per cent, in accordance with Senator Pittman's plan.

As a preliminary to final agreement on the monetary question, the present American policy may be so changed as to establish a free gold market in New York. The whole monetary problem remains nebulous and will so remain—even if temporary stabilization should be presently agreed upon—until this Conference has adapted itself to the fact that nationalism dominates world economics.

That is the real problem of the Conference. The requirements of nationalism must be first established; then fairly regulate what is left of generally needed international trade. The trend seems to be toward what amounts to a control of international trade on a sort of allocation basis, which will largely take it out of the hands of individual initiative and direction. Gold would be used only to settle balances left by this allocation, and the gold speculators would be out of jobs.

Secretary's Hull's free trade ideas and the academic tariff declaration of the Democratic platform have been submarged by the realities of nationalism. About all that the Secretary really contends for now is that having agreed that a certain amount of international trade is necessary, it should be relieved from the persecution of exhorbitantly high duties, changing quotas, fluctuating tariff schedules, licensing, and oppressive administrative regulations; and that nations should earnestly set about tariff bargaining, regional of bilateral, that are mutually desirable.

Most sensibly, the Conference is now concentrating its attention on the regulation of supply and demand of the basic commodities of international trade. All hands are agreed that the prices of primary commodities should be raised and that supply and demand should be co-ordinated. What is aimed at is regulation that will insure the world against excess or dearth of these materials, a fair price to the producers and yet one that will not check consumption. The international wheat conference has been working on this problem for weeks.

A Free Market For Gold

We have here the beginnings of reconciliation of economic nationalism with international trade. Each nation is to go ahead with its self-sufficiency programs but is to deal broadly, cordially and internationally with products which it must import. The next step might be some sort of effort to insure that importing nations would have some fair means of exchange of their products in payment of what they must import. This will be very difficult in the case of such a nation as Germany, which needs to export 40 per cent of her industrial production. France and England have their colonial empires on which to draw, and both have their political and commercial satellites with which to deal. Germany talks of getting her colonies back, but that is hopeless. Perhaps there will be a tacit agreement to leave the external development of Russia to Germany.

An observer of an international conference attended by 66 nations, even though dominated by three, realizes that forecasting is thankless. But in London at the end of June it is permissible to guess (although skeptically) that at least a preliminary agreement may be reached as to the *modus operandi* of returning to the gold standard internationally. The time thereof and the method may be long deferred. This return, it may be conjectured with some safety, will not occur definitely until the dollar falls considerably lower than at present in its gold exchange value. Then the free gold market in New York may be required to ascertain the true commodity value of gold. One author-

(*Please turn to page* 299)

Can Business Maintain the Pace?

A Sane View of the Future Prospect

By John D. C. Weldon

BURIED at the bottom of a back-page column, side-tracked by the avalanche of more sensational business news, there recently appeared a most significant item. It stated that overalls have advanced in price more than 60 per cent from the lows of a few months ago, while work shirts are about 30 per cent higher. There is a homely reassurance in America's getting back into its working clothes, especially when we set beside it the fact that, for the first time in its history, the country is embarking upon an ambitious program of economic recovery by legislative enactment.

With the news columns full of academic discussions of the sort of planned economy which has a pronounced Russian accent, the troubled mind eagerly grasps the inference that brawny shoulders—as well as super-brains—are being put to the wheel. The "new deal" has been written into the statute books—farm relief and inflation, industrial control and public works, home mortgage relief, banking reform and what not—as queer a contraption as was ever contrived by the law-making body of any country. But things are going nicely, so far. Overalls are in demand, and there is the hope that business may get well so quickly that the doctors will be denied recourse to some of the more offensive nostrums and obviously dangerous operations.

The initial results, flowing more from anticipation than application of the recovery program, have been surprisingly good. In fact, the weight of the evidence seems to be that business was already on the upward road before the Roosevelt Administration put such a determined hand upon the wheel. Many reliable barometers hit bottom last summer and turned upward, only to fall again, temporarily, when banking difficulties became ominous in the last quarter. The crisis of banking troubles which brought on the holiday in March, was swiftly passed. And it was more in the nature of a check to well-authenticated though relatively feeble recovery, than a renewed slump. It was highly significant that in the midst of the banking holiday, retail sales in many sections turned upward as hoarded money came into the open. With the cause of hoarding about to be removed, cash buying of motor cars, among other things, assumed important proportions while the banks were actually closed.

This evidence of hidden buying power gave business its initial shove when partially normal banking was resumed. Then came the talk of inflation and the flight from the dollar into common stock equities, commodities and finished

products. The legislative program and the high hopes it raised played a heavy part in the subsequent accelerated pace of business recovery.

Just how swift the pace has been during the past four months is best indicated by the percentage of recovery in various directions from the low points of the depression. For ready reference these percentages are graphically shown on a chart incorporated herewith. Building contracts have increased 46 per cent; cotton consumption, 122 per cent; department store sales, 23 per cent; factory payrolls, 14 per cent; shoe production, 50 per cent; wholesale price index, 8 per cent; automobile production, 660 per cent (from the low point which was reached during the week ended October 28, 1931); soft coal mined, 52 per cent; electric power output, 15 per cent; car-loadings, 39 per cent; and steel output, 296 per cent (from the low of the week ended July 9, 1932). Of these eleven barometers, seven made their lows previous to this year.

Comparison of Farm and Labor Purchasing Power

(Millions of Dollars)

	Total Wages†	Gross Farm Income*
1932	......	5,143
1931	7,256	6,911
1930	......	9,414
1929	11,621	11,918
1927	10,849	11,616
1925	10,730	11,968
1923	11,009	11,040
1921	8,202	8,927
1919	10,462	16,935
1914	4,068	7,028
1909	3,427	6,238

†Total wages paid in all manufacturing industries in the United States, according to U. S. Census of Manufacturers.

*Yearbook of Agriculture, 1933. (U. S. Department of Agriculture).

Tracing the rebound from the March crisis in its effect upon employment, the American Federation of Labor's latest estimate is that slightly more than 1,200,000 persons went back to work during April and May. Of this total, 735,000 were re-employed in April. The result for April is robbed of some of its significance, for the reason that it was largely a rebound—from temporary lay-offs during the height of the crisis. But the May increase of 495,000 is about equal to the normal seasonal gain and is the first indication employment figures have given, since the depression began, of an upward trend.

And this reading applies generally to the indices of business activity. The sudden spurt in April, taken by itself, might be set down as merely a natural snap back when the weight of the crisis was removed. But continued improvement throughout May and June is rather conclusive evidence that business has definitely emerged from the depression phase and has entered the recovery phase of the cycle.

Will the Pace Hold?

Granting, then, that we are in the early stages of a sustained recovery, the question is, can the pace be maintained? Will recovery from this point on be as swift as it has been in the last four months, or will it slow down?

The yardsticks and signposts of the past do not hold today. The "new deal" has given us a new situation. Never before has the good steed recovery been ridden by laws especially devised to control its gait, nor has it ever before felt the spur of inflation. So far as horseflesh goes, all these steeds—the current recovery and previous ones—may be brothers under the skin, but their records of performance have always varied in important respects.

Certain factors or opinions, however, may be set down as favoring the continuance of recovery at a swift pace; certain others as working in the opposite direction. Inflation, anticipated or real, is the foremost accelerating factor. It is synonymous with rising prices for real property and its tangible evidence in equities or contracts for future delivery. When Washington embraced inflationary doctrines, it was tantamount to serving notice upon the people of America that prices were going to rise, and under the circumstances national officialdom has no moral right to look askance at the resulting speculative furore in stocks or commodities. There is a good deal of speculation in the most conservative business—in leases, in forward purchases of raw materials, in stocking finished goods against the expected flow of orders, in machining, and in the employment of labor, etc. It is the business of speculation to discount in advance, and so long as inflation moves closer to actuality or through the initial or successive steps, speculation will ever try to keep in advance of it. In this one factor, therefore, there is promise of a business pace that may grow swifter—perhaps dangerously so. Semi-official intimations have already been given that, if the pace slackens noticeably, the new money management powers will be used.

Second in importance is probably the factor of so-called "partnership" between government and business. In this, many see an end to cut-throat price-cutting, which should mean a clearer road ahead for those who play according to the rules.

Forward Buying

For three years there has been accumulating a great mass of deferred requirements which are only now beginning to be reflected in current business. Added to normal demands of the season, this hoarded buying power will very likely help to keep the pace swift for some time. The consumer is not only filling his neglected wants, but at the same time he is moved to add to his supplies of needed goods before the inevitable advance in merchandise prices occurs. Producers, with low stocks of finished products, are buying raw materials, with intent to build up stocks before the costs of production rise in response to higher wages. This sort of buying has been particularly noticeable in the steel industry, where operations have reached a surprisingly high rate, considering that little business has so far come from heavy construction or the railroads. A great deal of the orders not accounted for by the motor industry have come from a large number of relatively small manufacturers of steel products who are acting forehandedly, if precipitately.

Long forsworn, the old familiar policy of forward buying is about to be restored by industrial purchasing agents. At their recent convention in Boston, the National Association of Purchasing Agents, officially announced altered plans. They expressed "complete confidence in the stability of the current upturn." It was reported that 600 delegates were in general agreement with the statement that "recent developments in the business world have convinced buyers that requirements should be covered for at least three months in advance." There is no such word as "speculation" in the orthodox purchasing agent's lexicon, but he is

now convinced that the corporate consumer of such commodities as rubber, copper, steel, lumber or linseed would be sadly lacking in foresight if it did not cover its needs. If merchants, as well as industrial buyers, were to cut loose for a few months from hand-to-mouth buying, recovery would move even faster than it has.

Added to these factors is the consideration that credit will probably continue cheap for some time. Reserve Bank statements show that 1,800 millions of circulation has been released from hoarding and returned to the banks, strengthening the reserve position and broadening the base for credit extensions. And it may be said that the spur of inflation was applied at the psychologically and statistically correct time. Stunned by the impact of the bank holiday the public mind was receptive to intimations that the worst was behind us. And by every economic measure the country had been deflated and liquidated to a standstill. If the measures which provoked enthusiastic response in April and May had been tried a year ago, they would probably have fallen flat.

There is one more factor worth mentioning on the side of a maintained pace. It is difficult to evaluate at this stage, but it may become rather important. For the past three years industry has been holding a great many new and improved products off the market, awaiting a more favorable setting for their introduction. The word is now being passed around that, if conditions continue to improve, numerous new products will be introduced in the fall. While there is not in sight any brand new industry—such as the automobile, the radio, or the motion picture—to lead the procession back to prosperity, the aggregate effect of many new product offerings to the consumer promises to be important.

On the other side of the picture, when we turn to factors that may make for a slackening in the pace of recovery, the first impression is one of forces less sharply defined. By the same token they are, like thunderheads in a June sky, more ominous than factors that can be weighed and judged. When we think of the destructive possibilities of inflation, should it get out of the control, President Roosevelt seems a veritable Zeus with thunderbolts in his hand. Loosed, they would rend the economic fabric of the nation, perhaps of the world. So we close our eyes to all of that and hope blindly that there will be no need to start something that couldn't be stopped. But, should it become necessary to give business another, what some people are pleased to call "shot in the arm," it will be natural to expect that conservative business leaders will become apprehensive.

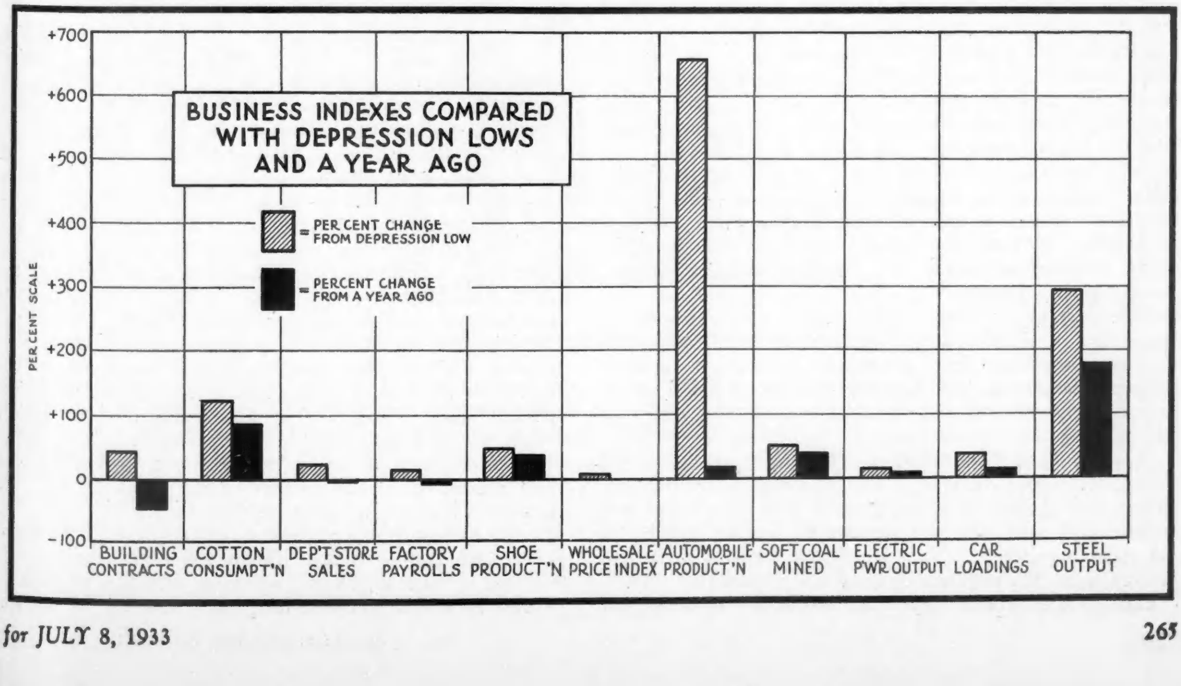
A more palpable check to expanding activities is likely to come from a maladjustment of purchasing power and prices. Prices are being forced upward by the imminent threat of inflation at home and by the actual, international inflationary effect of the dollar's tobogganing in the exchange markets of the world. Such a movement is much more likely to get out of joint than a natural recovery of prices in response to increasing demand growing out of a normal business recovery.

Another factor of restraint lies in the probability that hastily conceived and executed plans will go awry and strike snags. There are difficulties seemingly beyond human capabilities attendant upon the making of vast readjustments quickly and at the same time wisely. Usually the greater the degree of control, the slower the motion. Business and agriculture may have to wait, agonizingly at times, for the I. R. A. (Industrial Recovery Administration) and the A. A. A. (Agricultural Adjustment Administration) to tell them what to do. And, if events at the London Conference are any indication, orders are likely to be countermanded before they can be executed.

Dissensions between these administrative bodies and the national administration, with its camp following which apparently ranges all the way from ultra-conservatism to out-and-out radicalism, are quite likely to occur. America, in a manner of speaking, has not one dictator, but several. And their divergent views may clash. Fundamentally, there will be a struggle between those favoring more and better control of industry and trade—the iron hand—and those leaning toward a looser rein—the velvet glove. Whichever side wins the upper hand, business must learn to respond to the "gee" and "haw" and "giddap," with nary a "whoa." The longer the road the harder it will be for some upstanding corporations and industries meekly to take orders, especially when honest differences of opinion arise as to where lies the greatest public good.

The whole question of maintaining the pace of recovery may be viewed from an entirely different angle. We

(*Please turn to page* 296)



"Better understanding will unquestionably lead to elaboration of our new law to the end that our deposits in our banks, our savings and our investments will be safe and sound beyond peradventure."

On the Way Out

Banketeer — Stocketeer — Racketeer

By Robert H. Hemphill

THE day of the banketeer, the stocketeer and the racketeer is waning. It was a great party while it lasted, but dawn is breaking for the average citizen—the depositor and the investor, who have been the perennial "goats" in our erratic financial system.

Behind the nation-wide insistent demand for reform which culminated in the new banking and securities laws, there was a wide-spread, deep-seated feeling of injury and resentment which over-rode the most powerful opposition and would brook no delay. If these measures and their inevitable elaboration prove ineffective, then we will have a government-owned-and-operated commercial banking system, and it will come quickly.

To visualize the revolution which is ahead of our financial system it is necessary to glance for a moment at its essential elements as they should function in their proper relation. As an abstract proposition it consists of three distinct departments—the commercial bank, the savings bank, and the investment banking house.

Back to First Principles

The commercial bank should deal strictly with fluid capital, the working balances of individuals, firms and corporations, and profits awaiting favorable investment opportunity. Its loans should be limited to the same fields. From the orthodox point of view, in its proper credit functions, the commercial bank acts as an equalizer—loaning the idle excess credits of working capital of one customer to other customers who require temporary assistance. Under ideal conditions our commercial banking system operates or should operate as a great credit clearing house.

The savings bank is a depository of the savings of the small investor which are being continuously accumulated over a period of time.

The investment banker is engaged in the business of supplying permanent capital to industry and investments to his customers. He is constantly returning to activity and circulation, inactive deposits—the accumulated profits of commerce and industry, which would otherwise clog the system.

Each of these three institutions is equally necessary in a complete financial system. The training of their executives, their habits of thought, and their viewpoints are wholly different. To the commercial banker liquidity is of prime importance. Very largely he is chiefly concerned with the prompt payment of his loans at maturity. Theoretically he should be concerned in the use to which the funds are to be put, but as a matter of fact he seldom is. He is likely to consider the adequacy of the endorsement or security, as of paramount importance. Next in importance is the rate of interest which his bank receives from the loan. From a self-interest point of view the ideal customer would be one who would borrow liberally at profitable interest rates on ample salable security, and would leave most of the funds on deposit in his bank.

In almost every important particular the investment banker has a wholly different point of view. His business is to furnish capital for permanent employment in profitable commerce and industry; therefore, his attention is directed first to the character of the business under consideration, and next to the type of management. His hope of return is dependent upon the profit to be made in the employment of the money he loans for either a short or long period.

The savings bank is to some extent an investment trust, whose funds should be at all times invested in high class income-bearing securities.

No Place for Speculation

In none of these institutions is there, normally, provision for loaning money for purely speculative purposes, and it is the growth of speculation which has distorted the proper functioning of our commercial banks, and has created a group of professional operators who rely for their profits upon the fluctuations of the securities market. Market activity in some direction is their sole concern. As a natural consequence their efforts are toward creating artificial activity by any device which will produce results.

These manipulators have had at their disposal the resources of a large fraction of our commercial banks in the central reserve cities. The new banking and securities acts are designed to eliminate such misuse of bank funds in the artificial and unnatural manipulation of real estate, commodity and securities markets. Such measures are the inevitable result of a nation-wide irresistible revolt against manipulation in the banking and securities fields against which the ordinary citizen has heretofore been powerless.

This ordinary citizen has been occupied in development and producion or distribution of the thousand and one devices which go to make up our modern civilized life. He has had no time for the study of economics, or banking, or finance and securities. He has made generous profits because of his skill, energy, and close attention to business. When he sought to invest his profits, however, he has fre-

quently run up against manipulation by small groups who are best described as chiselers. If he glanced toward real estate, these manipulators have been quick to inflate the prices of desirable properties. If he showed interest in shares of industrial corporations, he met the same situation—adroit and skilful manipulation of these markets by small groups not engaged in the legitimate business of investment banking—in arranging and assisting business and industry to obtain a proper supply of capital—but groups of financial parasites, whose sole occupation is to extract for themselves an unearned profit out of the artificial elevation of these markets above their normal levels.

The irony of this situation is that while the citizen, busy in his various occupations, was accumulating sufficient funds to ultimately invest in real estate, or securities, these same funds were being loaned by the banker, to whom they were temporarily entrusted, to this speculative fraternity to finance their operations—therefore, when the investor had finally accumulated a sufficient surplus and was ready to invest, he found these markets had been inflated with his own money, and that he either had to pay tribute to these financial racketeers in the elevated price of the desired real estate or securities, or forego the satisfaction of making the investment.

This group of parasites in both the commercial and investment banking fields, and the constant distortion of real estate, commodity and security markets, which their activities create, are things which all these laws are designed to eliminate, and anyone who doubts that these measures will be made progressively effective, is lacking in clear vision.

Some of the big bankers in the cities, who in 1929 were loaning freely on corporate stocks at the momentary speculative price, which bore no relation to their sound values or their earnings, past, present, prospective or possible, and whose banks in many instances survived the collapse of this impossible house of cards only by the most incredible accident, are now holding up their hands in holy horror at the thought of contributing to the deposit guaranty of the country banker, who was equally loaded with inflated farm mortgages, but who had no market through which he could save his own skin by selling his borrowers into bankruptcy. What it cost society to preserve a few of the "sound" banks in 1929-30 and since, will likely never be computed, but certainly it has been many billions—many times the possible cost of deposit insurance for the next hundred years.

The popular idea that a big bank is necessarily sounder and more capably managed than a small bank, is without foundation. Some of our ablest bankers are operating small banks, and some of our most incompetent bankers are in some of our large institutions. Neither class has any monopoly of either ability or incompetence. Comparing the participation of the bankers of these two classes in the mad speculation of 1928 and 1929, the country banker if anything, has the best of the argument. Even though his loans were extravagant, they were at least extended to a productive industry, and they had as a precedent, the operations of various governmental agenices, who were injecting credit into the agricultural industry from every angle. It was a fair assumption that this support would be continued. On the other hand, many of the large banks in the cities were loaning chiefly on inflated securities, a generous fraction of the constantly elevated price. This proceeding contained no element of sound credit extension. The banker was simply gambling either that the market would go on ascending forever, or that he could get out before the market could, by any possibility, drop fast enough to involve his bank in losses. When viewed in the cold light of reason, it was an amazing proceeding, and those bankers who engaged in it extensively, are in poor position, at this late date, to discourse on "sound" banking.

Some of our big banks have devoted so much of their attention and funds to security operations, that they have more or less lost touch with the diversified commerce and industry of the country, the field that they must now prepare themselves to reenter. In the meantime, diversified commerce and industry, deprived of these funds for seasonal needs, have been obliged to provide vast and generally idle cash reserves by issuing unnecessary capital securities as shown by the excessive totals in former years on the accompanying chart. The whole financial picture has been warped directly or indirectly by this unnatural factor of speculative manipulation.

Before the crash of 1929 some of the manipulators amassed astonishing fortunes, for which they contributed nothing whatever to civilization nor to society. From this fraternity arises a howl over the provisions of the new "tell the truth" securities act, which is to be administered by the Federal Trade Commission. There is nothing in this act nor in the banking acts which should not receive the approval and support of every business man, whether he be commercial banker, investment banker, or engaged in commerce and industry. The direct purpose of all these measures is to eliminate irrational and unwholesome practices from the whole field of finance. The results can by no chance be anything but wholesome, constructive, and in the long run, will unquestionably very greatly increase public investment in sound corporate stocks.

The elimination of stock jobbing banking affiliates will

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A Revelation of the Industrial Future

Century of Progress Exposition Gives New Prospect to Numerous Important Industries

By Theodore M. Knappen

A WORLD in the remaking is the real theme of A Century of Progress Exposition at Chicago. The aggregate impression is that the wonders that have been achieved in scientific research and its application in the hundred years since Chicago began its corporate existence are not much more than the beginning of man's mastery of the earth and the exploitation of the endless possibilities that lie within the dormant forces and materials of the natural world.

A visit to the Exposition will result in a profoundly disturbing shock for all worshippers of stability and lovers of permanence. The world is seen to be in flux as never before. The planners and builders of the Exposition sought to illustrate that incessant change is the law of modern life, but even with that conception of the transitoriness of all man's works by reason of his indefatigable delving into the mysteries of life and matter they were surprised to find that exhibits could not be planned in detail and put in place far in advance. The new was becoming old so fast that the most up-to-the-minute presentations of two or three years ago would be obsolescent if not obsolete when the Exposition opened. At every turn they found that what was new and amazing to the general run of the public was already antique in the view of chemists, physicists, architects, engineers and business executives.

The physical aspect of the Fair everywhere emphasizes the idea that henceforth the world is one of such swift change that even buildings of the greatest size must be reared for razing as well as for use.

Civilization in New Dress

The pillared walls of the permanent Stadium and the Field Museum, with their classic pillars and plinths, look down upon an assemblage of structures that are as different from their own character as an Indian tepee is from them. The architecture of solidity, durability, massiveness—the architecture which has dominated the monumental buildings of civilization since the age of Pericles in Greece—confronts an array of structures in which there is no semblance of the past and little of the present. The pillar is nowhere in evidence in the buildings that expound the future. It has persisted in the architecture of the day merely as a semblance of the beauty that once was an essential of strength. The architects, devoted to realities, imbued with the idea that utility provides is own beauty, have frankly revealed in their bizarre creations that the modern structure, reared from within instead of without, is utterly unrelated to the edificial grandeur of the past. The wall of the building is now merely a curtain—wherefore treat it is a curtain, as a mere covering, not as a structural element. Design the building for its use and the conditions thereof and let the exterior take care of itself—with asymmetrical elevations, irregular projections, jumbled silhouettes, flat, smooth, utilitarian surfaces. Design it also for easy alteration or rapid wrecking. The past built for the ages—modern America builds for thirty years. A building serves the functions that are carried on within it; therefore forget the traditional windows, originally provided to admit light and air. Abolish them! They are a nuisance to modern ventilation and air conditioning and cooling; and an impediment to diffused lighting of interiors, which demands the elimination of shadows.

Balance, Form and Color

But even the austerest worshippers of the beauty of unadorned utility could not escape the urge for ornamentation, and so the architects found themselves turning to all possible gorgeousness of paint, overwhelmingly in strange combinations of the three primary colors. To bring out the colors at night the surfaces of the walls had to be broken with all sorts of devices for concealing the multi-colored external electrical lighting. So, after all, the smooth surfaces are broken up with strange angular shafts, and towers that serve no purpose but that of appearance. The general effect is a reversion to the straight line architecture of barbaric cultures, and one gets the general impression that the whole Fair architecturally conveys the idea through its buildings of a civilization still far from finished, wrestling with the requirements of the present and vaguely groping towards an unknown future, of a civilization permeated with restless energy, originality and creative power.

The great lesson thus taught, from an economic point of view, is that even in its most enduring element, its structures, the world is in rapid transition. This explodes the idea that America is basically complete, finished; that the great age of construction is past. In-

Latest developments of industrial science, displayed at the Chicago Fair, connote great changes for a host of basic and accessory industries and throw a new light on the investment prospect.

stead, the lesson is that the nation is to be endlessly rebuilt and that construction will always be a primary industry, involving even greater outlays in the endlesss rebuilding than in the great outburst of providing the initial shelter of homes and industry and the vast fabric if communication, transit and transport.

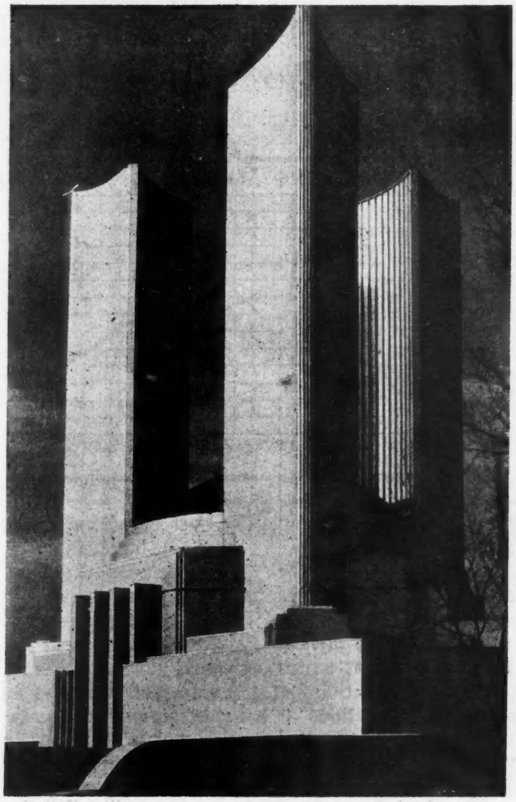
Persistent Capital Investment

Herein is a sharp rebuff to economists who have wondered how the savings of the people could find profitable employment in the future and have taught that prosperity must depend almost entirely on consumers' goods. Capital investment, if the Exposition is a good teacher, will be required more than ever, and will become almost consumer investment, because of the conception of the housing of civilization and its implements as something to be cast off and replaced in every generation. In its detailed application this lesson means an unlimited future for the construction and machinery industries but with the qualification of perilously endless and rapid change in their methods and materials. The construction industry will flourish in toto, the exposition decrees, but its units will persist or vanish according to their adaptability to the new order of architecture and engineering.

Nowhere is the new order more in evidence than in the home building and planning exhibits. The prophecy of these exhibits is that domestic housing will be more and more ephermeral. New materials of many kinds are offered and the manufactured house, factory built in sections or panels, or at least with standard units, is announced and demonstrated. The new houses, flat-roofed in most instances—recalling the architecture of Morocco and the Near East—for utilization of the roofs as outdoor living rooms, betoken practical use. In fact, they are largely factory made, mass production affairs, with assembly on the lot instead of at the factory. Utility is the dominant note, with unusual appearance in consequence.

The new housing is linked with the idea that improving means of transport mean decentralization of cities and increasing migration of the population.

The general advent of air-conditioning and cooling is proclaimed by the installation of twin heating and cooling plants in all the Exposition residences. Nothing arouses more interest among visitors. There is no doubt that the homes as well as the work buildings of the future are to be equipped as much against heat as against cold. Along with this goes insulation and a huge demand for insulation material. Probably half of the 30,000,000 residences of America are now centrally heated; henceforth every home owner will aspire to a cooling and conditioning plant, indicating another urge toward changes in construction methods, and a vast field for modernizing of existing houses. The new houses make a practical business out of housekeeping. Machines and machinery are everywhere, and electricity takes over household drudgery. This means, of course, that the public utilities are far from saturated and that their coverage of the lighting field will be equalled in the future by their mechanical patronage in the household mechanical field.



Federal Building at Century of Progress Exposition at Chicago

In the transport exhibits the automobile and the airplane vie with each other in encouraging mobility of population in its daily work as well as in transience of residence. In the transport of freight electric lines, steam transport and the motor truck compete. The railways are very evidently on the verge of great changes in motive power and in flexibility of service. The Pullman exhibits, for example, foretell the introduction of light aluminum cars and trains and self-powered stream-lined coaches capable of great speed. Electricity is indicated as being more and more the motive power of the future, both from Diesel engines on the trains or cars and from line transmitted power. The implication is that as soon as financial considerations permit there will be an enormous demand from the railways for new equipment. Nothing shown or suggested in the exhibits foreshadows any means of transport that will furnish a substitute for the conveyance of the bulk of the nation's freight. The revolution in freight transport will, it is indicated, be more in the direction of economical use of the existing rail lines, involving probably considerable abandonment of trackage and consolidation of terminals. But the electrical exhibits, emphasizing the flexibility of delivered power, raise a question as to whether there will be so much long-distance carriage of freight in the future. While everything foretells a greatly increased volume of production and consumption there are many signs at the Fair that local regions and communications will be more self-contained in the future with regard to the production of the lighter goods. The tendency is rather to ship power than its products.

An Exposition of Power

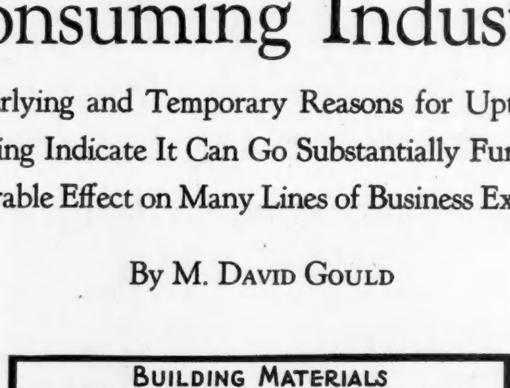
Power itself is seen in change and flux. In moments of revery the barbaric color scheme of the Fair and its ragged skyline—fingers of fabric aspiring blindly toward the sky—arouse the thought that here is the symbol of civilization struggling with something that may be beyond assimilation. That thing is power. Man long a slave to toil masters power and knows not what to do with leisure or how to use his riches. Tomorrow, the Science Building says, man may have pure—atomic—power at his command, anywhere, everywhere—common as fire. Fanciful, perhaps; but possible. (*Please turn to page 294*)

Outlook Brightens for Greatest Consuming Industry

Underlying and Temporary Reasons for Upturn in Building Indicate It Can Go Substantially Further—Favorable Effect on Many Lines of Business Expected

By M. David Gould

Building construction activities, after a somewhat late start in reflecting the improvement in general business compared to such other fields as steel output, electric power production, and railroad carloadings, have been showing a vigorous upturn since the end of April. The June figures, when released, will be better than the corresponding month last year as well as better than May of this year. The improvement is particularly noticeable in residential building, which during the depth of the depression was harder hit than other types of construction. Not only in new construction, but in the modernization alteration and repair fields is this better feeling to be noted.



Real estate markets, generally speaking, support these tendencies by showing a stronger tone: institutions which hold properties acquired under foreclosure are withdrawing them from the market, or raising the quotations at which they are offering foreclosed properties for sale, and report an increasing tendency on the part of property-owners to protect existing mortgages. At the same time, the number of new foreclosures remains high because of the delayed effects, in individual cases, of the terrific deflation through which the country has passed; but greater buying activity and less offerings are creating a healthier market situation for existing properties. Significantly, new leases for business properties are being offered for the shortest periods possible, few being longer than two years.

To what can we attribute this better feeling in building construction? Is it likely to last? What will be its effects on general business and particularly on those lines of business which deal directly with the construction industries?

During the depression, underlying forces had been accumulating which sooner or later were bound to find expression in a sharp upturn in building activity. In the first place, the boom in building construction had begun to subside some years before general business entered on its crisis in 1929. The collapse in the Florida land boom was merely the most spectacular of a series of shrinkages in construction booms which were spread over large sections of the country. Nevertheless, when the big depression struck the country, building activities, as measured by contracts awarded, declined to some 10 per cent of the pre-depression figures, and residential building suffered even more sharply than total building, as the chart on the following page clearly shows.

This means that for the past four years a growing deficit in building was being piled up. This would have resulted in an open housing shortage by now, except for the fact that the increasingly sharp crisis covered it up—marriages were delayed, families "doubled up" by crowding existing housing space (one authority estimates that no less than 1,500,000 families are living "doubled up" today), obsolete and obsolescent homes were kept occupied when they would normally have been torn down and replaced, the number of vacancies increased, etc.

Meantime, as the deflation continued, capital began to accumulate and press for an outlet, as reflected in the sinking of interest rates. The banks and insurance companies naturally became more cautious in their lending operations and increasingly concerned with keeping themselves liquid, so that their idea of what was a good lending risk became stricter, but money was available at steadily declining rates for such good risks.

In fact, the turning point of a general crisis in business is reached as a rule when capital finds profitable employment in long-term investments, and in general, not until then. The inability to obtain a profit on invested capital, which is a distinguishing feature of a crisis, blocks the circulation of profits and capital. As soon, however, as costs and expenses have been reduced to the point where profits are again being made, and capital is available at a low rate of interest, the incentive to invest on a long-term basis in fixed assets leads to an increasing amount of construction work. So far as residential construction is concerned, when these conditions have been fulfilled it attracts capital irrespective of whether the investor, the landlord and the tenant are one and the same person, the homeowner, or if residential buildings are put up on a rental basis—in any case, the circulation of capital is restored and the

increasing activity tends to spread through general business.

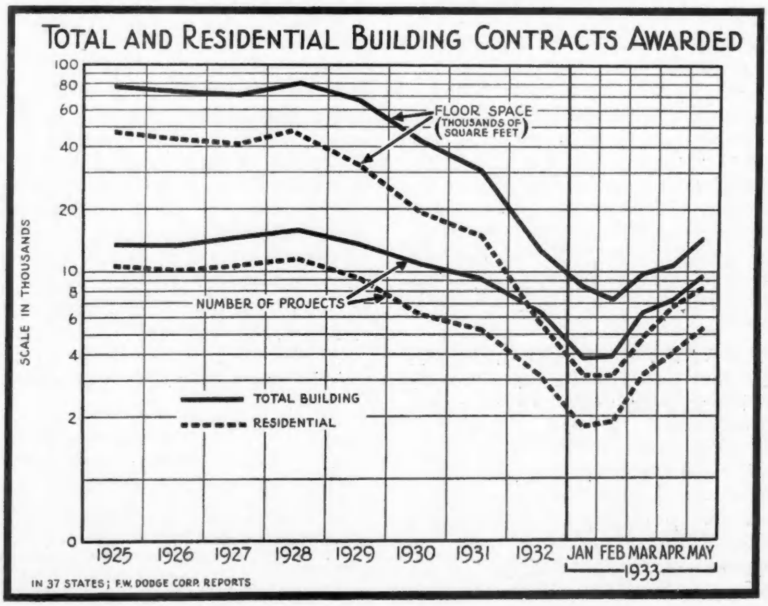
A third factor in attracting capital to the form of building construction was the substantial liquidation of prices which had taken place, as indicated by the accompanying graph showing the index numbers of building material prices. The lower price level, offering the possibility of better profits for the future than the high prices of properties in the past, was a definitely encouraging factor.

To give one illustration—the American Face Brick Association has for the past ten years been offering 176 designs for small houses. The most popular of these cost, on the average, from 1925-27, in the Chicago area, about $12,100 to construct. At present a house built in Chicago according to this design costs $7,950, a reduction of more than a third.

It may sound like a paradox, but one verifiable by everyday experience, that the attractiveness of low prices becomes greatly increased when they begin to rise, as building materials have done since May. Advances of $4 to $5 in lumber, of $4 a ton in lime, of $2 to $3 a ton in sheet steel, since the beginning of May, and similar advances in most other lines, have unquestionably induced much new buying, especially in view of the Government's policies favoring the maintenance of prices through trade associations at a level which would insure adequate profits for the respective industries.

In the case of cement, a recent incident illustrated the effect of the new policies clearly. In connection with the Boulder Dam project, Secretary of the Interior Ickes asked for bids for 400,000 barrels of cement on special specification. Finding that all prices were the same (as has been customary for some time in this industry, where competition is not on a price basis), and also that they had advanced since the government last bought cement in January for this job, by about 5 per cent for a comparable grade, he twice rejected all bids and proposed to have the Government make its own cement, compromising finally by accepting a reduction from $1.42 to $1.40 a barrel on a lower grade than that originally ordered. Both the uniformity and the advance in quotations are apt to characterize building materials as well as other products to an increasing extent. Particularly will this be true as the Industrial Recovery Act is put into operation.

All these factors—the deferred demand, the accumulation of available capital seeking investment at reasonably low rates, and the existing low level of prices—were galvanized into effectiveness as a stimulus to the building industry as soon as the prospects of inflation became clear.



The outlook is that this new found activity, at least insofar as residential construction is concerned, will continue for a considerable time, with favorable results on business activity in general and on the companies related to the building industry in particular. Home building is on the uptrend.

As soon as doubts as to the future purchasing power of the dollar began to become general, the tendency arose to exchange paper for stocks, for commodities and for fixed assets. From this point of view the increased interest in building construction has the same immediate cause as the speculative rise in the securities and commodities markets.

Home-owners who had been thinking or planning or, in any case, putting off, construction projects began to feel that they would save money by acting at once instead of waiting any further. Besides, the relative attractiveness of owning one's home as against renting, which might have been closely balanced in the minds of many possible home-builders and buyers, was greatly increased with the possibility of having to pay higher rents, sooner or later, as inflation developed from a prospect into a reality, while for the home-owner the greater part of the costs of operation are fixed in advance.

Another consideration with regard to the possibilities of inflation which undoubtedly played no little part with some was the prospect of borrowing a substantial part of the cost of construction. In a period of inflation, debt burdens become lighter and lighter, just as during the recent period of deflation, they have become heavier and heavier. Carried to an extreme, inflation would leave such new builders, operating largely with borrowed money, with substantial equities and insignificant debts.

The combination of the immediate factor of the prospects of inflation with the underlying trends toward increasing activity in building construction therefore appear to have laid a genuine foundation for the current activity. Trade authorities estimate that the backlog of accumulated needs for home building and improvements now totals seven billion dollars.

For the same reasons as have led to the potential demand for new building construction becoming actual, much deferred reconstruction, alteration and modernization work is now being awarded on old properties. Particularly where institutions have come into possession of them through foreclosures, the increased possibilities of renting space at profitable figures have aided the trend toward improving older houses through the installation of elevators, refrigerators, through remodeling, refurnishing, repainting, etc.

The recently-passed home mortgage act will help along

the wave of building activity, although its main effect will be to stave off foreclosures and thus prevent older properties from being thrown on the market in competition with new construction. The total amount for which the new mortgages are to be issued is $2,000,000,000, against about $20,000,000,000 of home mortgages estimated to be outstanding.

The direct effect will be limited to a capital of $100,000,000 provided by the act for the creation of government savings and loan institutions to be organized in districts where building and loan associations do not exist, that is, in about a third of the counties of the United States. The indirect effect, in bailing out the holders of old mortgages and increasing the liquidity of capital thus tied up by private investors, savings banks, insurance companies, and government agencies, will of course be far more important.

Apart from residential construction, little is looked for immediately in the field of industrial construction, except for special cases such as filling-station construction programs for some of the larger oil companies. On the other hand, the public works program will supply a further extension of activity in the construction field. Of the $3,300,000,000 for which the Industrial Recovery Act calls, it is understood that projects on hand in Washington, approved and ready for immediate execution, total $381,000,000, while an additional $200,000,000 is expected to be ready by October 1. This includes such projects as post offices, custom houses, hospitals, court houses, municipal works, etc.

A Few Companies Which Would Benefit in Building Revival

Company	Price	Dividend
American Radiator & Standard Sanitary	16¼	....
Congoleum-Nairn	17½	0.60
Devoe & Raynolds "A"	21	....
General Asphalt	20¾	....
International Cement	33¼	....
Johns-Manville	53	....
Libbey-Owens-Ford	30	....
National Lead	114½	5.00
Pittsburgh Plate Glass	34	0.60
Sherwin-Williams	34¼	....
U. S. Gypsum	42½	1.00
Yale & Towne Mfg.	18	0.60

Meantime the various states are busy preparing projects of public works, some of which have been held up for years. The New York program calls for $350,000,000 for housing, Federal-aid highway construction, railroad grade crossing separation, hospitals and public institutions, and the like, of which $98,000,000 are for self-liquidating projects, including a tunnel under the Hudson River, the Tri-boro Bridge in New York City, State fair grounds, etc. New Jersey is planning well over $70,000,000, Maryland about the same amount, Ohio $120,000,000, Missouri over $51,000,000, Colorado $35,000,000, and Louisiana the ambitious amount of $160,000,000, divided over 2,000 different projects.

All this presupposes the continued ability of the Federal Government to supply the necessary sums, and therefore a reasonably closely-balanced budget with respect to the ordinary expenses of government so that new borrowing on bond issues will not be in excessive amount. So far as the public works division of the construction industry is concerned, this means that investors should keep a close eye on the development of the government's fiscal program from the standpoint of taxes, reduction of current expenses, and relation of floating to long-term indebtedness.

Looking toward the longer future, the prosperity of an industry is closely tied up with its technical progressiveness. In the building construction group, the large-scale residential construction, public works, public utility, industrial and commercial fields have been, generally speaking, in the forefront of technical progress. The small home field, on the other hand, has in certain important respect changed very little for hundreds of years. The great relative importance of certain traditional skilled trades, like carpenters, bricklayers, masons, etc., and the retention of forms of design dating back a great many years (Colonial, Georgian, etc.), have led to a considerable lag in technique.

The tendency in recent years has been to try to make up for lost time quickly; the whole small-building industry is in a ferment over new materials, new building methods, new selling methods, although none of these has yet won general acceptance or passed beyond the experimental or semi-commercial scale.

The Chicago fair will do something to popularize the proposed innovations in small building construction. New materials that are featured are reinforced brick, wood fiber materials, new synthetic stones, and sheet-steel with nailable framework. New construction methods feature "pre-fabrication" at the factory of large sections of the house, erection around a "frameless steel chassis," the bolting-together of light structural steel sections, metal floor construction. Radically new designs are being presented, such as the circular glass house, and the sheet-metal cottage. Concrete is now available in large light units for floors, walls, roofs, and in pre-cast joists; it is supplied ready-colored, and with sound-deadening properties. Brick is being sold in large panels for walls, assembled on the job. Distribution methods generally still follow the established channels of the trade—pre-fabricated lumber houses, for instance are being offered by local lumber dealers.

When, as and if the successful mass-production small house makes its appearance, presumably it will have to develop its own channels of distribution, as the automobile did. So far, it is not a practical question, although a tremendous amount of work has been and is being done on it. When, as and if it arrives, it will undoubtedly have a stimulating effect on steel consumption and production, together with many other basic industries.

The extent to which building construction influences other industries is only roughly indicated by the following figures, which are necessarily incomplete—such important items as hardware, elevators, building construction machinery and tools, etc., do not appear directly or at all, nor do large parts of the production of copper, lead, linseed oil, etc. The value of the production of typical building materials in 1929, that is, after the boom had begun to subside, was as follows:

Material	Value
Brick	$294,934,000
Cement	267,509,000
Gypsum blocks	31,293,000
Structural steel work	477,037,000
Wall plaster, plasterboard, floor composition	70,663,000
Concrete reinforcing bars	42,417,000
Stone, etc.	751,210,000
Lumber	1,273,472,000
Glass	303,818,000
Paint	568,976,000
Sand, gravel	116,476 000
Stoves and ranges	271,740,000
Metal doors, shutters and windows	72,160,000
Plumbers supplies	80,641,000
Steam fitting and heating apparatus	228,310,000

In spite of the important omissions, the foregoing data serve to indicate the important role of the building con-

(Please turn to page 294)

Effect of New Power Tax on Public Utility Stocks

High Leverage Common Stocks Will Be Greatest Sufferers

By Francis C. Fullerton

THE Revenue Act of 1932 imposed a tax of 3% on the electric power consumed by residential and commercial customers. This was added to their monthly bills, and, on the whole, seems to have been accepted with little complaint. In giving away to the public demand —often uninformed demand—for lower rates, however, the last Congress removed this tax from the shoulders of the consumer and deliberately placed it on the shoulders of seller.

The new law goes into effect on September 1 and, in a number of instances, will have far-reaching repercussions on the owners of public utility securities. This, of course, is because of the peculiar capital structure of the industry. Speaking generally, the public utility common stocks held by the public are far removed from the gross revenues actually received by the operating company. If the common stock has a 20% equity in gross revenues, it is considered to be more than ordinarily well situated. Yet, a 3% tax on the gross revenues of such a company would reduce common earnings by 15% and might easily result in a dividend reduction. In some instances such a 3% tax would wipe out common earnings altogether.

This illustrates correctly the high degree of leverage possessed by public utility common stocks and shows that a small reduction in gross, whether brought about by a tax or by poor business conditions, is magnified greatly when brought down to the most junior securities. In actual practice, however, the present 3% tax will be somewhat less drastic in action. This is because it is imposed on residential and commercial customers only. It does not apply to industrial customers which consume, on an average, about a third of the electric energy generated. In some companies, of course, it will be more than this and in others less.

In the accompanying table we have estimated the reduction which will result in the common earnings of a number of important public utilities from the absorption of the 3% tax. The estimates are based on the latest earnings and assume no general rate reductions. Neither has any consideration been given to possible increases in rates.

For several reasons, our estimates of the reduction in earnings when compared with the latest actual earnings probably present a picture that verges on the pessimistic. It must be remembered that the absorption of the tax by the seller of power does not take place until September 1 and that electric power output is making steady gains. Moreover, the greater part of the gains are taking place in the untaxed industrial division. This will have the effect of offsetting, at least to some extent, the inroads made in net by the tax. Also, many of the companies listed purvey other services in addition to electric energy. The general improvement in business which has taken place undoubtedly has made these other services more profitable. In addition, the item "other income" must now be on the uptrend. These are other factors which make the absorption of the 3% tax on the part of the companies a less fearsome matter to a holder of the junior securities than would appear from a cursory glance at the accompanying table. Unfortunately these are things which cannot be estimated in any way and the table must be taken for what it is, a rough but useful guide to the probable security effects of the changed legislation.

How Stocks of Leading Utilities May Be Affected by 3% Power Tax

Company	Annual Common Earnings will be Lowered by About:	Common Earnings	Present Dividend	Present Price
Am. Gas & Electric	$0.15	$1.89a	$1 & 4% Stck.	45
Am. Power & Light	.30	Nil d	....	13
Am. Water Works & El.	.14	.98a	1.00	38
Columbia Gas & El.	.03	.86b	.80 Stck.	25
Commonwealth & Southern	.04	.02a	....	5
Commonwealth Edison	.60	5.19b	4.00	67
Con. Gas., El., Lt. & Pr. (Balt.)	.18	3.89b	3.60	67
Con. Gas of New York	.29	3.80b	3.40	59
Detroit Edison	.50	4.24c	4.00	87
Electric Power & Light	.17	Nil d	....	13
National Power & Light	.16	1.16d	1.00	17
Niagara Hudson	.06	.88b	....	13
North American	.17	1.63b	8% Stck.	32
Pacific Gas & Electric	.13	2.09f	2.00	29
Pacific Lighting	.11	2.58b	3.00	34
Public Service of N. J.	.18	3.35f	2.80	54
Standard Gas & Electric	.30	Nil b	....	19
Southern California Edison	.14	1.75b	2.00	25
United Corp.	.04	.41b	.40	12
United Gas Improvement	.04	1.31b	1.20	22

a 12 months to April 30, '33. b 12 months to March 31, '33. c 12 months to May 31, '33. d 12 months to Feb. 28, '33. f year 1932.

The Magazine of Wall

The Magazine of Wall Street's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Owing to the uncertainty which has grown out of the prospect of inflation, or at least a lowering of the dollar's purchasing power, we are not, at the present time recommending further bond purchases for investment. This does not suggest, of course, that the individual eliminate all high-grade investment issues from his portfolio, for they possess certain advantages, regardless of conditions, not found in other securities. Among the second-grade and more speculative bonds found in these tables some undoubtedly have large potentialities. Such bonds, however, must be selected on their merits and with due regard to one's own financial condition and the degree of risk that can be assumed.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	1932A	Price Call‡	Recent	Yield to Maturity	COMMENT
Chicago & Northwestern Rly.								
Gen. 5s, 1987	346	141	.6	.3	N C	75	6.7	Failure to earn charges by so wide a margin weakens this large issue.
1st & Ref. 4½s, 2037	346	48	.6	.3	N C	40	11.2	Junior to issue above.
Conv. 4¾s, 1949	346	72	.6	.3	105 '34*	32	..	Junior to two issues above. Speculative.
Secured 6½s, 3.1.36	346	15	.6	.3	N C	85	12.7	Secured by $18,000,000 Gen. 5s.
Milwaukee, Sparta & N. W. 1st 4s, '47	346	15	.6	.3	N C	58	9.5	High rate per mile and smaller earning power lower caliber.
St. Louis, P. & N. W. 1st 5s, 1948	346	10	.6	.3	N C	58	10.7	
Colorado & Southern								
Ref. & Ext. (now 1st) 4½s, 5.1.35	58	36	1.2	.7	101	85	13.3	Reasonably strong, tho refunding may be difficult.
Gen. "A" 4½s, 1980	58	20	1.2	.7	110*	68	6.8	Junior to issue above.
Fort Worth & Denver City 1st 5½s, '61	9	8	2.2	..	105 '35*	96	5.8	Good grade bond.
Illinois Central R. R.								
1st 4s, 1951	362	13	.8	.8	N C	..	..	Strongly situated bond.
Ref. 4s, 1955	362	62	.8	.8	107½	70	6.6	In a fair position only.
Collateral Trust 4s, 1952	362	15	.8	.8	N C	70	6.8	Secured bonds feeder roads. Fair grade.
15-yr. sec. 6½s, 7.1.36	362	8	.8	.8	N C	88	11.4	Caliber somewhat higher than Ref. 4s, '55.
4% Leased Line Stock Certificates	362	10	.8	.8	N C	50	8.0	Secured stock Chic., St. L. & N. O. Second grade holding.
40-yr. 4¾s, 1966	362	35	.8	.8	102½ '36*	60	8.3	Unsecured by mortgage. Speculative.
4½% Notes, 6.1.34	362	20	.8	.8	100½*	71	..	
St. Louis Div. & Ter. 1st 3½s, 1951	362	13	.8	.8	N C	..	..	Medium grade only.
Purchased Lines 1st 3½s, 1952	362	12	.8	.8	N C	56	8.1	
Louisville Div. & Ter. 1st 3½s, 1953	362	23	.8	.8	N C	..	..	Reasonably strong.
Chic., St. Louis & N. O. Joint 1st Ref. "A" 5s, 1963	362	69	.8	.8	110	68	7.8	Second grade bond.
L., N. O. & Texas Coll. Tr. 4s, 1953	362	23	.8	.8	N C	61	7.9	Bordering upon speculative.
Chic., St. L. & N. O. Con. 1st 5s, '51	362	18	.8	.8	N C	80	7.0	Fairly secure holding.
Louisville & Nashville								
Unified 4s, 1940	231	70	1.1	.8	N C	95	4.8	Better grade bond.
1st & Ref. "C" 4½s, 2003	231	58	1.1	.8	105 '39	80	5.7	Junior to issue above.
10-year sec. 5s, 1941	231	10	1.1	.8	103 '36*	..	..	Secured pledge divisional bonds. Better grade.
L. & N. Atlanta, K. & C. Div. 4s, 1955	231	25	1.1	.8	N C	86	5.1	Good grade.
Southern Pacific Co.								
San Francisco Terminal 1st 4s, 1950	673	25	1.2	.8	105	82	5.7	Well secured issue.
Oregon Lines 1st "A" 4½s, 1977	673	61	1.2	.8	105*	70	6.6	Fairly strong.
Central Pacific Coll. 4s, 1949	673	37	1.2	.8	100	63	8.2	None too strong.
Deb. 4½s, 1969	673	65	1.2	.8	105 '34*	59	8.0	Borders upon the speculative.
Central Pacific Rly								
1st Ref. 4s, 1949	235	99	.5	..	N C	85	5.4	Well secured.
Through Short Line 1st 4s, 1954	235	10	.5	..	107½	76	6.0	Better grade.
European Loan 4s, 1946	235	48	.5	..	100	..	..	Paris principal market. Fair grade.
Guaranteed 5s, 1960	235	40	.5	..	105 '35*	71	7.5	None too strong.
San Antonio & Aransas Pass 1st 4s, 1943	...	17	..	..	N C	68	8.9	Now medium grade only.
Southern Pac. R. R. 1st Ref. 4s, 1955	673	144	1.2	.8	105	78	5.8	Entitled to a reasonably good rating.
Texas & Pacific Rly.								
First Cons. 5s, 2000	85	25	1.5	1.0	N C			Well secured.
Gen. & Ref. "C" 5s, 1979	85	49	1.5	1.0	105 '39*			Junior to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call	Recent	Yield to Maturity	COMMENT
Am. Gas & Electric Deb. 5s, 2028	195	50	2.2	1.9	106*	86	5.8	Among the better holding company issues.
American Water Works & Electric Co.								
Coll. 5s, 4.1.34	184	16	1.4	1.2	102½	94	11.5	Pledged stocks and bonds are valuable. Good grade.
Deb. "A" 6s, 1975	184	11	1.4	1.2	110*	79	7.7	Medium grade only.
Monongahela West Penn Pub. Ser. 1st & Ref. "B" 5½s, 1953	24	14	1.7	1.5	105*	68	9.0	Fair caliber.
Potomac Edison 1st "E" 5s, 1956	17	17	2.0	1.9	105*	87	6.1	Reasonably good security.
West Penn Power 1st "G" 5s, 1956	50	50	4.2	3.5	105*	105	4.6	High grade investment.
Buffalo General Electric								
1st Ref. 5s, 4.1.39	40	7	3.5	2.6	105	107	3.7	High grade investment.
Gen. & Ref. "B" 4½s, 1981	40	30	3.5	2.6	107½*	101	4.4	Junior to issue above, but still high grade.
Duke Power								
1st & Ref. 4½s, 1967	63	40	2.7	2.2	104½*	94	4.9	Better grade.
Southern Pub. Ut. 1st & Ref. 5s, '43	63	16	2.8	..	105	..	..	Strong bond.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Florida Power & Light Co.								
1st 5s, 1954	74	52	1.6	1.3	104¼*	70	8.0	Caliber only fair.
Deb. 6s, 1951	74	22	1.6	1.3	...	..	..	All owned by Am. Power & Lt.
Georgia Power 1st & Ref. 5s, 1967	118	98	2.2	2.0	105*	75	6.9	Medium grade bond.
Houston Ltg. & Pwr. 1st & Ref. "A" 5s, '53	28	28	2.6	2.6	104*	100	5.0	Sound, well secured issue.
Jersey Central Pwr. & Lt. 1st & Ref. (now 1st) "C" 4½s, 1961	42	42	2.8	2.1	105*	90	5.2	Sound bond.
Laclede Gas Light Co.								
Ref. & Ext. 5s, 4.1.34	36	20	1.5	1.5	N C	92	13.8	Medium grade.
1st Coll. & Ref. "C" 5½s, 1953	36	23	1.5	1.5	103*	63	9.7	Junior to issue above, tho $10 million Ref. & Ext. 5s pledged hereunder.
Massachusetts Gas Cos.								
20-year 5½s, 1946	52	16	2.2	2.0	105	92	6.4	These issues rank equally. Both are good grade bonds.
Deb. 5s, 1955	52	25	2.2	2.0	103	84	6.4	
Boston Con. Gas Deb. 5s, 1947	11	11	3.5	5.5	105	104	4.6	More than ordinarily well-protected issue.
Montana Power Co.								
1st & Ref. 5s, 1943	44	25	2.0	1.8	105	84	7.3	Of fair investment security.
Deb. "A" 5s, 1962	44	13	2.0	1.8	104*	64	8.3	Jr. to issue above and prior liens thereto.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.4	1.4	102½*	60	9.2	Represents large proportion of total debt.
New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.1	2.5	100 '53	102	4.4	High grade investment issue.
New Orleans Public Service								
1st & Ref. "B" 5s, 1955	56	30	1.4	1.3	104*	60	9.3	None too strong.
Gen. 4½s, 7.1.35	56	12	1.4	1.3	105	51	..	Jr. to issue above and prior liens thereto.
Niagara, Lock. & Ont. Pr. 1st & Ref. 5s, '55	25	19	1.8	2.1	105*	102	4.8	A solid security.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.3	1.0	102½*	43	13.7	None too strong holding co. obligation.
Penn. Central Lt. & Pwr. 1st 4½s, 1977	28	28	2.4	1.9	105*	74	6.2	Parent co. receivership and lower earnings adverse influences.
Philadelphia Electric Co.								
1st 5s, 1966	168	57	3.2	3.2	110	110	4.4	High grade bond.
1st Lien & Ref. 4½s, 1967	168	34	3.2	3.2	104½*	103	4.3	Pledge of 1st 5s makes this issue almost as strong as one above.
1st & Ref. 4s, 1971	168	59	3.2	3.2	102½*	97	4.2	Strong bond.
Philadelphia El. Pwr. 1st 5½s, 1972	168	35	3.2	3.2	106*	107	5.1	Not obligation Phil. El. Co. Good bond.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.2	3.0	105	106	3.9	Entitled to the highest of ratings.
Ref. 5s, 1951	138	120	3.2	3.0	105*	102	4.8	Junior to issue above.
Standard Power & Lt. Deb. 6s, 1957	485	24	1.5	1.3	105*	51	12.5	Assumed by Std. Gas. Thin equity.
Union Electric Light & Power (Mo.)								
Gen. 5s, 1957	94	63	3.1	2.1	104¾*	103	4.8	Sound investment.
Miss. River Power 1st 5s, 1951	20	17	2.5	2.5	105	104	4.7	Good grade bond.
Un. El. Lt. & Pr. of Ill. 1st 5½s, '54	8	8	3.3	5.9	103½*	101	5.4	Better grade issue.
West Texas Utilities 1st 5s, 1957	25	25	1.6	1.3	103*	58	9.5	Under cloud Middle West debacle.
Western United G. & E. 1st "A" 5½s, '55	26	24	2.4	1.9	105*	82	7.1	Medium grade only.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Crucible Steel Deb. 5s, 1940	13	10	def	def	102*	66	12.4	Still second grade, tho outlook improved.
General Steel Castings 1st "A" 5½s, 1949	17	17	def	def	107½*	76	8.2	Semi-speculative, tho outlook improved.
Inland Steel 1st "A" 4½s, 1978	41	41	1.7	def	102½*	88	5.2	Fundamentally a strong bond.
New York Dock								
1st 4s, 1951	22	13	1.7	1.1	105	62	8.0	Secured by valuable property, tho earnings off.
Notes 5s, 1933-1937	22	8	1.7	1.1	101	..	..	Junior to issue above.
National Dairy Products Deb. 5¼s, 1948	75	73	6.0	3.9	103½*	90	6.3	Probably over depressed at current levels.
Phillips Petroleum Deb. 5¼s, 6.1.39	31	30	def	1.2	101⅜*	85	8.5	Position improved. Prospect encouraging.
Standard Oil Co. (N. J.) Deb. 5s, 1946	127	90	3.2	2.6	102*	104	4.6	An investment of the highest class.
Texas Corp. Deb. 5s, 1944	107	100	def	.6	101½*	94	5.7	Medium grade. Earnings disappointing.
Tobacco Products (N. J.) Coll. Tr. Deb. 6½s, 2022	36	36	..	..	100	98	6.1	Secured pledge lease agreement with Am. Tobacco. Interesting issue.
Union Gulf Coll. Tr. 5s, 1950	60	60	def b	1.4 b	103*	102	4.8	b Gulf Oil (Pa.) earnings, virtually guarantor of issue. Better grade.
Western Electric Deb. 5s, 1944	35	35	3.3	def	105 '34*	99	5.1	Still better grade, despite poor business.
Wheeling Steel 1st & Ref. (now 1st) "B" 4½s, 1953	27	27	def	def	102*	71	7.3	Semi-speculative, tho position improving.
Youngstown Sheet & Tube 1st "A" 5s, '78	92	92	def	def	105*	80	6.3	Operations approach profitable level.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Chesapeake & Ohio 1st Cons. 5s	5.1.39	30	3.5	3.2	N C	106	3.9	Investment of the highest grade.
Consumers Power 1st & Ref. 5s	1.1.36	33	3.8	3.0	105	105	2.9	Exceedingly high grade issue.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.7m	3.2m	N C	105	3.5 m	Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	75	3.2	2.6	101*	102	3.9	Company enjoys a fine credit standing.
Great Northern Power 1st 5s	2.1.35	7	..	..	110	100	5.0	Reasonably sound issue.
Texas Power & Light 1st 5s	6.1.37	25	2.0	..	105	98	5.6	Of good investment caliber.
Third Avenue R. R. 1st 5s	7.1.37	5	1.9	..	N C	91	7.7	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous, rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. A Actual earnings, though in some cases based on preliminary reports.

GENERAL MOTORS

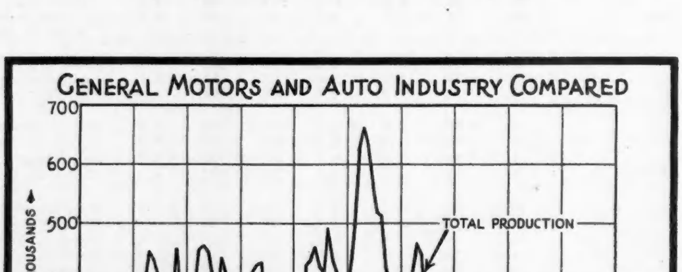
In the Battle of Motor Giants

Increased Car Buying and Profitable Diversification Brighten the Outlook for General Motors

By Thomas Calvert McClary

TIME: Pre-crash, 1929. The delirious decade draws to a close amidst wild optimism and propaganda.

Times are good, prosperity is eternal, exports are leaping and the U. S. A. sits atop the world. "Two cars in every garage" is a slogan, an objective, a not unusual fact. States vie for most good road mileage, fleets of trucks and busses speed over the web of federal highways, the public has money or credit to buy cars.



With automotives among foremost leaders, the ticker quotes endless all-time highs twenty and thirty minutes behind time. Conservative estimates of automotive production for the year soar above 6,000,000, and General Motors, with 32.8% of all passenger car business, hits 91¾ on its new 2½-for-1 stock in expectation of not less than $6.50 per share earnings. A few curious stockholders wonder why G M bothers with picayune subsidiaries such as the one making flexible ice-trays.

Time: Early '33. The last year of our national melancholy is just passed.

Fear and inertness grip the market giving unwaranted ulterior motive to every minor international move. Automotives still draw attention, but the industry is in the doldrums, G M and Nash having been the only companies to show earned profits in '32.

Politicians, frantic for more revenue, have turned to soaking the motorist. Biased railroad propaganda has not helped, and in some states one year's truck and gasoline taxes equal the price of the vehicle.

With the bank holiday impending the market goes chaotic, and G M hits an absurd 10, more than five points below liquidation value. First quarter earnings of 11 cents per share force realization that G M is not disintegrating, and it starts a slow upward move. Its little ice-tray subsidiary is rumored to have supplied earned profits to the parent company in '32, giving the curious pause for thought on the matter of G M policies and foresight.

Time: June, 1933. G M fluctuates between 25 and 30. Although among the leaders, its relative position is not reflective of its good record, earnings, management, competitive position, immediate or future outlook.

Apparently, the investing public takes little cognizance of what the legalization of beer means by way of direct profits to G M's refrigeration unit. Nor does it consider the substantial increase of paved highways during the past three years and plans for greater increase. Most pertinent, there is little recognition of the tremendous importance of the swelling list of G M stockholders, which has risen from 150,000 in 1929 to 375,000, of whom 51% own less than 51 shares each; roughly equivalent to 200,000 additional potential consumers of G M products.

Let historians of the depression explain G M's low price in detail. Here, the fact will suffice that its 43,500,000 shares of common, and its worldwide interests are its greatest market handicap. Note, however, that allowing for total loss of all foreign investments, G M's liquidation value is still upwards of $15 per share. A wise old trader recently grinned at the market price and remarked, "Discounts for endless depression, confiscation of foreign holdings, quadrupled taxation, apoplexy of the Board, the sudden kidnapping of Alfred P. Sloan, Fred Fischer, Charles Kettering and James D. Mooney, and makes you listen for Gabriel's trumpet."

But let the investor judge for himself.

G M's principal interest are automotive. The manufacture and sale of Buick, Cadillac, LaSalle, Chevrolet, Oldsmobile, and Pontiac cars constitute the bulk of its business, General Motors trucks being included in the accounts of the Yellow Truck & Coach Manufacturing Co. While future relative importance of its automotive interests may decline in relation to other activities, automobiles will for some time constitute the backbone.

As recently pointed out in The Magazine of Wall Street, the automotive industry has both a near-future and long-swing period of prosperity in

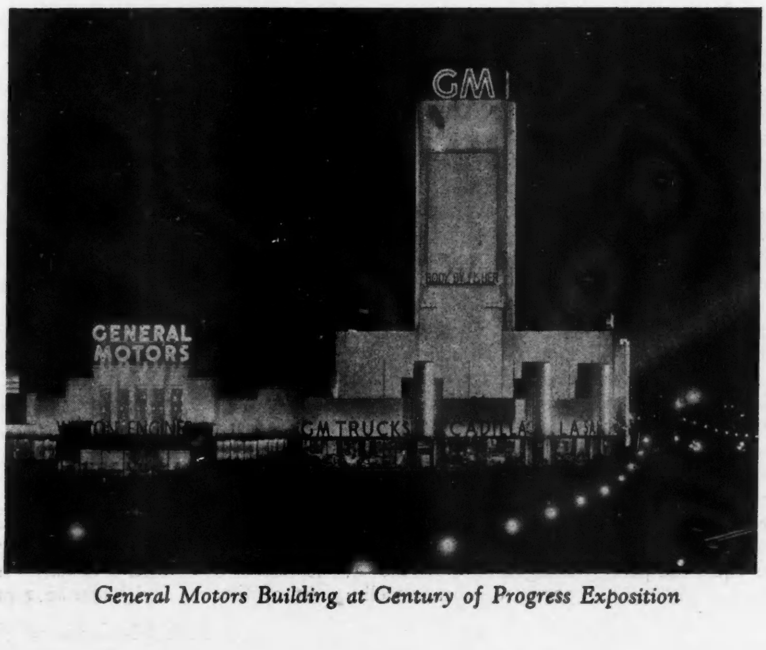
view. From a total 1929 production of 5,621,715 cars and trucks, the industry's output fell to 1,431,000 in 1932. During that period there has been an increasing use of cars and trucks in service, judging by gasoline consumption in relation to declining registrations, estimated cars in storage, and substantially increased mileage per gallon in nearly all late models. During the same period, the average price of passenger cars has dropped from $828 to around $550, broadening the potential sales base. While the price trend may turn upward, it is unlikely to advance ahead of purchasing power.

There are approximately 21,000,000 passenger cars in use in the United States, 4,100,000 of which are on farms. The average life of an automobile is 6-7 years. During the past 6 years, 18,000,000 cars have been sold, leaving around 3,000,000 which are either obsolete or worn out and need immediate replacement. Of the 18,000,000 in serviceable condition, nearly 12,000,000 were produced prior to 1930 and have already seen upwards of half their life. Discounting export trade and increasing ratio of cars per family, the automotive replacement field of the future should be in excess of 3,000,000 cars annually.

G M, holding its existing competition, should sell around 1,200,000, or something better than its 1930 sales.

Of more immediate significance is the fact that rural communities have the bulk of outmoded cars. The outlook being for a return of farm prosperity, automobile replacements should be among the first widespread farm purchases. Take a good trading example: in 1927, 890 bushels of wheat were required to purchase the average car; in 1929, 709; in 1930, 1,350; in 1932, 1,800; and in June of this year, only 847—with the price of grain still soaring.

Then there are contributing factors such as agitation to legislate the life of cars for safety reasons (by motorists and insurance companies) radical style and mechanical improvement, increasing surfaced roadway, greater opportunity for bus and truck and their increasing use by railroads.



General Motors Building at Century of Progress Exposition

In its competitive position, G M has substantially strengthened itself during the depression, advancing from 32.8% of all passenger car sales in 1929 to 34.5% in '30; 43.3% in '31. Last year, the ratio declined to 41.5%, but it is again on the upturn. While it is doubtful if any manufacturer in the highly competitive automotive field can maintain or strengthen its position consistently, G M has the advantage of group purchasing, inter-company sales, and its growing army of stockholders. However important these advantages may be, it is true, of course, that such a well-integrated competitor as Chrysler duplicates them in lesser degree, and that effective competition is coming from this company's Plymouth unit.

Although it has been the company's policy not to indulge in price wars, something of the value of group purchasing and research may be seen in the case of Chevrolet. In 1918, a Chevrolet 4-door sedan, weighing 2,165 pounds, sold for $1,060, or 49 cents per pound. In 1933, the improved sedan, weighing 2,830 pounds, sells for $565, or 20 cents per pound. In addition to other improvements, the heavier car uses less gas.

The same tendency toward a better product at lower price has been evidenced throughout the entire automotive industry—in Ford, Chrysler, Auburn, Packard, Nash, Reo or any other make—perhaps explaining loss of rail traffic to passenger cars and trucks. But, to date, G M has led the field slightly over longer periods.

In its foreign operations and export trade, G M has met keen competition from its foremost rivals — Ford and Chrysler. Both competitors are now expanding foreign sales and manufacturing facilities, and will probably cut in on G M to some extent. According to company announcements, both Ford and Chrysler will continue distribution under their own names in Europe. In many countries, this may be advantageous. But in Germany and England there has been a decided preference for home-company cars, both as to type and name. G M's two principal foreign interests are Adam Opel, A.G., in Germany and Vauxhall Motors in England. Both companies hold strong competitive positions in their local fields and have export advantages of preferential tariffs and national policies. For instance, the tariff on an American-made car in Spain is 100%, whereas the same car made in England bears only 50%.

In England, the automotive depression has not been comparable to that in this country. In Germany, the Opel company has easily maintained its competitive position, but has been faced with local conditions even worse than here. However, although G M reduced the asset value of its Opel investment almost a million dollars in 1932, reliable information is that the company again shows earnings and anticipates increasing sales. Vauxhall has steadily gained in production, and is now increasing plant facilities.

That competition between G M, Ford and Chrysler will be sharp, there is no doubt. If anything, mechanical improvements will mean even more in European competition than here, due primarily to the custom in most foreign countries of taxing automobiles on the basis of horse power. Moreover, gas prices, ranging from 20 cents per gallon to upward of 45 cents, put a premium on operating efficiency.

In this country, the automotive outlook is affected by retail policies and rising material prices. For instance, approximately 80 pounds of rubber is used on a small sedan. Recently, the spot price has been down to below 3 cents per pound. Now rubber has more than doubled. But although production costs will be increased, it may not seem wise

to raise retail prices of the finished product simultaneously.

Earnings Gain

For the quarter ended March 31, 1933, consolidated earnings showed only $6,870,000, compared with $9,693,000 a year ago. But in April, sales totalled 87,000 cars and in May jumped to 98,205, favorably comparing with 58,000 in March of this year, and 81,000 and 63,500 for April and May, 1932.

G M's close affiliation with the Bendix interests gives it an additional foothold in both automotive and aviation fields. Current trade opinion largely credits Vincent Bendix with making possible the extremely low-priced and radically improved cars which have saved the industry throughout the depression.

In spite of decreased earnings, 45 million foreign investments, and an, until recently, apathetic automotive market, G M's low has been out of all relation to assets and outlook. G M itself has no funded debt. Of a $70,000,000 debt of the General Motors Acceptance Corp., better than $55,000,000 has already been retired or provided for. Preferred dividends fluctuate slightly under $10,000,000, leaving common equity clear of debt and lying in 86 companies and a dozen industries.

Financial Strength

Earnings have dwindled, but there has been *no operations deficit in three and a half years of depression.* During a period of consumer concealment and the most highly competitive automotive market to date, G M has strengthened its competitive position, consolidated its internal activities, written down assets to rock-bottom value, continued dividend payments and maintained liquidity and net working capital within roughly $25,000,000 of its position at the beginning of the depression. Note one point: Alfred P. Sloan recently completed the tenth year of his presidency. Under his guidance and since the du Pont interests came into the company in 1922, there has never been a year of operation deficits or passed dividends.

The assertion that G M is in a relatively stronger financial position than at any previous time in its history is made advisedly with relation to general conditions, unavoidable losses, depreciation of assets, present and future outlook. At the beginning of the depression, net working capital stood at $248,000,000. At the close of 1931, it had been increased to $273,915,923. At the end of the first quarter of this year, it had decreased to $217,468,700, which takes no account of almost $14,000,000 in closed banks. During 1932 the company wrote off $92,712,535 against reserves for depreciation on surplus plant, real estate and equipment, reducing values to actual salvage. Until disposed of or re-employed, this minimum valuation relieves annual earnings of $7,000,000 depreciation charges now made applicable to dividends. The write-down followed $20,500,000 provided against surplus in 1931 for extraordinary and non-recurring losses.

Assets and Liabilities

Dividend disbursements in excess of earnings cost $42,998,793 in '31, and $68,034,738 in '32. Excess dividends, plus fourteen million in closed banks, if they had been carried over to net working capital, would increase the account to approximately $327,446,000. As of March 31, cash amounted to $90,162,440, against $151,152,747 on December 31, last. However, U. S. Government securities increased from $19,327,083 to $23,824,334, while other short-term marketable securities jumped from $2,300,865 to $21,724,912. Reasonable expectation is that market value has risen somewhat in advance of broad market average. In addition, G M invested $12,500,000 in National Bank of Detroit capital stock, forming a new bank in partnership with the R. F. C.

On the liability side of the ledger, U. S. and foreign income taxes quadrupled for the quarter. If cash held in closed banks is included, current net assets as of March 31 have declined only $11,300,000 from the previous quarter, while current liabilities have declined $17,700,000. Total reserves increased over $6,000,000.

G M's investments in wholly-owned and subsidiary affiliated companies are carried on the books at $211,000,000. As the company follows the policy of reducing values in relation to individual profits of subsidiaries, the investment assets are conservative. Thus, in 1932, its 50% owned Ethyl company is listed as owing $635,714 to it.

Much of the intangible equity behind G M shares lies in the financial and industrial eminence and integrity of its board of directors and management. The ideals and ideas of these men are given background by the treasurer's office, which, among other duties, acts as a sieve for all industrial information and trends. Each executive is not only a member of the managing group, but also a specialist in the affairs of one or more of the 86 companies. Their views are brought together at each monthly meeting for organization consideration. It is at these meetings that the forecast for the coming months is discussed, and opinions and information on consumer demands are scrutinized under the business microscope. It was at just such a meeting that, distribution policies of the past were discarded and the sales activities of the Oldsmobile-Buick-Pontiac organizations consolidated in the interests of economy and broadening dealer sales fields.

Refrigeration and Air-Conditioning

It seems likely that ultimately G M's automotive interests will settle down to become the backbone of the organization upon a replacement basis, while in other lines the company will sally forth into higher profits. One of the big money makers for the next few years should be Frigidaire, in the past a leader in the refrigeration field and reported to be working at capacity in an effort to meet orders for beer cooling apparatus. Also, it is a contender for leadership in the air-conditioning field, making equipment at the present time for railway cars, homes, offices and shops. Among economic forecasters, air-conditioning is looked to as the big industry of the next boom, possibly comparable to the automotive industry in the past decade. Air conditioning, using large flow of electricity, has already stimulated the sales of Diesel power plants. In Macy's store in New York, a half-million-dollar power unit made by the Winton Engine Corp., a subsidiary of G M, drives the huge air-conditioning apparatus. It is estimated that this unit will amortize itself within a few years on the basis of savings under current power rates.

The Winton Corp. also enjoys better than 70% of all business in this country in Diesel-equipped yachts from 70 feet up. It also has a major portion of all gas-electric rail car business, being in no small part responsible for the new light-weight, super-speed, streamlined passenger trains being built for the Union Pacific to compete with bus and airplane travel.

Stake in Aviation

Early in 1929, G M turned its attention to the aviation manufacturing field as being closely allied with automotive interests. This April, through General Aviation, G M expanded its aviation interests by acquiring dominant stock interests in North American Aviation, General Aviation Manufacturing, B/J Aircraft and Eastern Trans-

(*Please turn to page* 299)

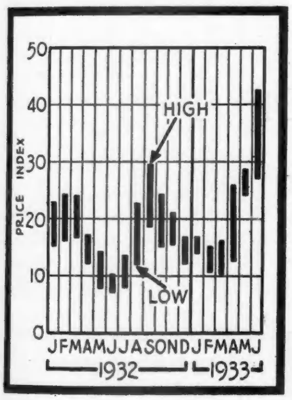
Companies Which Should Show Large Gains in Earnings

Prospects are Improving for Each of the Stocks Discussed in the Following Group—Large Earnings Should Find Reflection in Further Price Appreciation

Selected by The Magazine of Wall Street Staff

Bethlehem Steel Corp.

TO bring home the deplorable depths to which the steel industry sank last year, no more need be said than that the Bethlehem Steel Corp., the second largest unit in the field, reported a net loss of more than $19,000,000. During 1929 the same company earned more than $42,000,000. Nor was any improvement registered during the first quarter of the present year, for the three months resulted in a further loss of $5,769,451.



This, however, appears to have marked the corner. Although no specific figures are available, the improvement shown by the steel industry during the second quarter of this year has been one of the most remarkable features of the current upturn and it cannot be doubted that Bethlehem has received its full share of the better business. Currently, the company is probably making a little money on the preferred stock and, although some slight summer recession in steel operations is not unlikely, it is quite probable that the year's record activity takes place in the fall. Should this be the case, common earning power might be restored even this year.

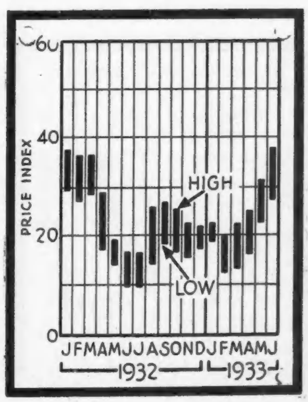
Apart from the demand for steel which will be created by the general increase in business activity, the Bethlehem Steel Corp. is in a particularly good position to benefit from scheduled governmental expenditures. Its structural subsidiary, the McClintic-Marshall Co., may be expected to supply a fair share of the steel going into bridges and buildings of the public works program. Other subsidiaries are engaged in shipbuilding, the manufacture of armor plate, and ordnance. These undoubtedly will bid on any contracts for warships which the Government may care to let.

Financially, the Bethlehem Steel Corp. is still strongly situated, despite the losses occasioned by depression. At the end of last year cash and marketable securities stood at nearly $47,000,000, compared with $50,300,000 at the end of the previous year. That liquid funds registered such a small decline, in view of the fact that funded debt was reduced nearly $11,000,000, that $2,300,000 was spent for additions and improvements, and that dividends of $6,600,000 were distributed last year, may be attributed mainly to a $16,000,000 reduction in inventory.

The 3,200,000 shares of Bethlehem common are junior to a funded debt of $126,000,000 and to $93,000,000 in preferred stock. There are also small amounts of subsidiary common stock outstanding. In anything like normal times the business done by the company is quite capable of supporting this capitalization and in view of the outlook there is no reason for common stockholders to be unduly fearful of the moderate amount of back dividends which have accumulated on the preferred. These accumulations may, of course, hold the common stock back for a time. but it may be expected gradually to work higher from current levels of $44 a share as the present promising outlook is more nearly fulfilled.

Sears, Roebuck & Co.

FEW groups were harder hit than the merchandising companies during the period from the end of 1929 to the beginning of 1933. They suffered from every direction. Many of them, and notably the mail order houses, were in the midst of carrying out some form of expansion just as the crash came and naturally found that they had embarked upon a costly experiment. They all found the curtailing of overhead expense in line with the slackening of public purchasing power to be an impossible task. Finally, the steady decline in commodity prices brought in its train an important inventory problem which necessitated constant write-offs.



As the largest merchandising company in the country, Sears, Roebuck & Co. naturally was not immune to these adverse influences. For the thirteen months ended January 28, 1933, the company reported a consolidated net loss of $2,543,651, compared with net income of more than $12,000,000 for the previous calendar year. Moreover, in the later period deductions from sur-

plus totalling nearly $17,000,000, were made for various contingencies, reserves and write-downs.

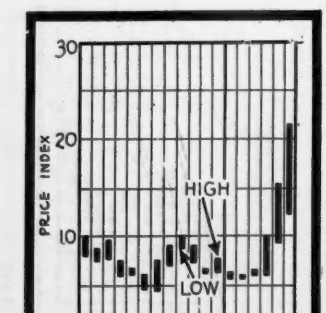
The company entered the present year in none too strong a position. The adverse years had reduced considerably cash and marketable securities. The company's home-building department, which makes loans on mortgages, might easily have resulted in losses greater than reserves provided had general business continued downward. Notes payable stood at $26,000,000, compared with $12,000,000 on December 31, 1932. Also, there was a contingent liability of about $1,000,000 under a contract with the Julius Rosenwald Estate. Finally, and most important of all, the company was still losing money from its operations.

The greater part, if not all, the troubles of Sears, Roebuck & Co. can be laid at the door of falling prices. Consequently, when the course of prices reversed itself rapid improvement was registered. Towards the end of March the company stopped losing money and has remained in the "black" since that time. While sales for the four weeks to June 18 were some 17½% under those of the same period last year, this is largely attributed to delay in mailing the summer catalog this year. Sales for the four weeks ended May 21 were less than 10% under those of the corresponding previous period.

While it is true that Sears will probably require a year or more of good business to repair the ravages of depression, nevertheless the common stockholders may expect to benefit before too long a time has elapsed. It might be noted that the claims of no bonds nor preferred stocks have to be satisfied first, for the company's sole capitalization consists of 4,939,876 shares of no-par common stock—if one is willing to concede that a subsidiary funded debt of $99,000 is of negligible consequence. For a company which is recovering real earning power as rapidly as Sears, Roebuck & Co., the current price of $37 a share for the common stock is not perhaps as excessive as it would seem to one basing his appraisal on the immediate past.

Alpha Portland Cement Co.

INCORPORATED in New Jersey in 1910, the Alpha Portland Cement Co. made a profit in each of the twenty subsequent years. In 1931 and 1932, however, the forces of depression became too strong and the company lost money. Sales in 1932 were but a fourth of those in the peak years and in addition to a drastic decline in sales the company had to contend with a period of disastrous price-cutting.



While the price-cutting has been largely adjusted, the small and unsatisfactory volume of business has continued well into the present year. Nevertheless, if the company has not yet turned the corner, the turn is definitely an immediate prospect. General business continues its steady gains and this is certain to cause an increase in miscellaneous construction, using cement. But still more important, there is the huge program of public works planned by the Government. Roads, bridges, tunnels, dams and most of the other major divisions obviously will require vast quantities of cement.

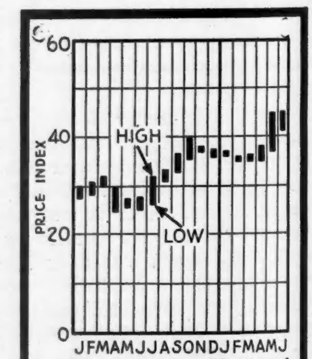
The plants of the Alpha Portland Cement Co. are strategically located to obtain contracts for material entering into works east of the Mississippi. The company owns and operates, or leases and operates, ten of these plants with a combined capacity of about 13,000,000 barrels of cement a year. They are located at Martins Creek, Pa.. Alsen, N. Y., Jamesville, N. Y., Manheim, W. Va., Birmingham, Ala., Ironton, Ohio, Bellevue, Mich., La Salle, Ill., and at Alpha, Mo., about twelve miles from St. Louis.

Capitalization consists of $2,000,000 in 7% preferred stock of $100 par value, and 711,000 shares of common stock of no-par value, of which 40,000 shares are held in the company's own treasury. There is no funded debt. Financial position is strong, with current assets on March 31, 1933, amounting to $7,571,885, the greater part of which was in the form of cash and marketable securities. Current liabilities totalled only $261,000.

All this makes a very favorable background to the main consideration that the demand for cement will shortly increase—in all probability very greatly increase. Yet, it were foolish to lose sight of the fact that this is still mainly a prospect and that in rising from a low of $5¾ a share this year to current levels of $21, the company's stock has discounted at least a fair measure of business improvement. Nevertheless, recognizing the obvious risks and taking care that one's individual position is adjusted to them, it seems probable that the common stock of the Alpha Portland Cement Co. will be justified in selling higher over a period of time.

Sun Oil Co.

WHILE the Sun Oil Co. is not perhaps as well known as some of its larger contemporaries, it nevertheless has a number of claims to distinction. It is, for example, a company which succeeded in reporting a profit for each of the depression years. Also, few companies are more conservatively and successfully managed. Sun charges the cost of acquiring leaseholds, development and drilling, except equipment, to Expense, instead of capitalizing such outlay and amortizing it over a period of years as do most companies in the same field.



Partly because of this and other similar bookkeeping practices, the accounts of the Sun Oil Co. do not fully reveal the company's size and importance. With total resources stated at less than $100,000,000, who would believe that activities embraced every phase of the petroleum industry? In this country, Sun owns leases on more than 23,000 acres of proven oil land and leases on some 2,000,000 acres of undeveloped land. Through ownership of stock in the Beacon Oil Co., it obtains an interest in Venezuela oil lands. Among other physical assets are trunk pipe lines, steel tank cars, a fleet of ocean-going tankers, and 500, or more, filling stations. In addition, a prosperous shipyard is owned and operated and it might be

noted that the Government has proposed a large naval construction program which might be the cause of substantial activity in this division of the business.

The capitalization of the Sun Oil Co. consists of 100,000 shares of 6% cumulative preferred stock of $100 par value and 1,591,110 shares of common stock without par value. There is also a small minority interest. Funded debt totals $11,864,000. For last year, the company's earnings were equivalent to $2.35 a common share, compared with $1.63 for 1931. Inasmuch as a conservative common dividend of $1 only is paid, it would seem from the past record that this disbursement were in no danger, despite the fact that conditions in the oil industry are still far from satisfactory. There is, however, an excellent prospect, either through governmental intervention or otherwise, that the present period of reckless and uneconomical competition will shortly be brought to a close. In addition to the $1 distributed in cash. Sun last year paid a stock dividend of 3%.

Because the Sun Oil Co. during all the depression years steadily pursued a policy of keeping its plant and equipment at the point of greatest efficiency, it is now in an excellent position to resist a further period of oil industry chaos, in the unlikely event that this should come to pass after all. At the same time, it may be expected to obtain the benefit from a return to sanity. The stock is currently quoted around $44 a share and, while this is not cheap today, the company's basis strength is such that time easily could justify still higher levels.

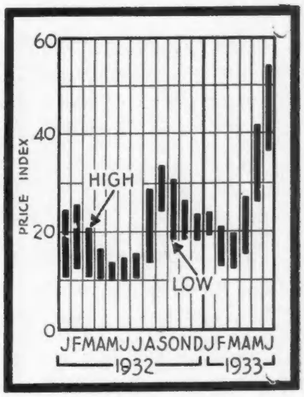
Johns-Manville Corp.

FOR the most part, asbestos products fall into the category of capital expenditures and it is always capital expenditures in contrast to current expenditures which suffer most severely during depressions. For this reason, Johns-Manville Corp., one of the world's leading manufacturers of asbestos products, found the past few years among the most trying of its existence. Building activity fell to extremely low levels and thereby adversely affected the company's two most important divisions, roofing and insulation. At the same time such miscellaneous divisions as automobile brake-lining, sound proofing, and general replacements also did poorly.

Reflecting these conditions, Johns-Manville reported a net loss of $2,680,873 for last year, compared with a net profit of $583,792 for 1931. Also, for the first three months of the current year there was a net loss of $953,-799, compared with a net loss of $912,607 in the corresponding previous period. This, however, is merely for "the record." Such an adverse precedent has nothing whatsoever to do with the company's current business, nor with what it may be expected to do in the immediate future.

Although building is still running in all probability somewhat behind the corresponding period of last year, the gap has been narrowing rapidly. If it has not already happened, this gap should close altogether very shortly. Such gains should find reflection in the business of the Johns-Manville Corp. Moreover, the company's brake-lining activities should be in full swing at the present time in view of the remarkable production currently being reported from the automobile industry. Also, undoubtedly there has been a pick-up in other miscellaneous divisions. Finally, the company should not only be an important direct beneficiary of the Government's huge public works program, but the stimulation which this will give to residential construction in general should be helpful.

Johns-Manville is conservatively capitalized and strong financially. Capitalization consists solely of 75,000 shares of 7% cumulative preferred stock of $100 par value and 750,000 shares of common stock of no-par value. At the end of last year, current assets amounted to $10,953,287, of which more than $4,500,000 was in the form of cash, United States Treasury notes or Canadian Government bonds.



It may seem, perhaps, remembering that preferred dividends were omitted last March and that the company's improvement in activity is still largely prospective, that the rise of the common stock from a low this year of $12¼ a share to current levels of $52, has over-discounted a favorable future. Without a doubt, present prices discount some part of the future promise and a stock in such a position is always subject to the possibility of sharp set-backs as the well justified optimism of holders temporarily wanes. Nevertheless, for those willing to ignore such fluctuations, time will probably prove the issue to have been not too excessively valued at current levels.

Commercial Solvents Corp.

THE common stock of the Commercial Solvents Corp. has recently been strong and active. While this may be said to be partly the result of sympathetic reaction to the rest of the market, it is more largely a reflection of the company being in a position to benefit handsomely from the improvement which has taken place in general business activity. As the name suggests, the company is primarily a manufacturer of solvents and caters to the artificial silk, artificial leather, paint and varnish, plastic, explosive, drug, photographic, printing ink, and a score of other industries.

Moreover, Commercial Solvents is in the happy position of having materially increased its inventory last year when prices were low. Full-scale operations were maintained at the company's Peoria plant, despite the slackened demand for the output, and it became necessary to add 8,000,000 gallons in storage facilities. Research activities have been kept up and the company expects to continue to introduce new products from time to time as they are perfected. With repeal of prohibition, it hardly would occasion surprise should the company enter the liquor business and, although Commercial Solvents' prosperity seems well assured from current operations, this is an added speculative appeal.

Capitalization consists solely of 2,530,255 shares of common stock of no-par value. There is neither preferred stock nor funded debt. Financial position is very strong, despite the piling up of inventories. At the end of last year, current assets amounted to $6,328,685, excluding the company's own stock held as an investment, and of this $2,541,-911 was in the form of cash and United States Government securities. Current liabilities totalled only $320,537.

Last year the earnings of the Commercial Corp. were equivalent to 50 cents a share, compared with 83 cents

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READERS' FORUM

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.

"Executive-Directors"

Editor, READERS' FORUM:

The underlying cause of our corporate mismanagement and salary scandals such as that of Bethlehem Steel, American Tobacco and many other companies, is the increasing prevelance of the "executive-director."

For instance. S. S. Kresge Co., year 1932, six out of ten, or the majority of the board of directors are the highest executive officers.

American Home Products, 1932, five of the highest executives sit on a board of eleven directors, short one only, of a majority.

Standard Oil of New Jersey for 1932 shows six of the higher executive officers are members of their board of directors of seventeen.

With this set up in practically all our companies, is it any wonder that exorbitant salaries, bonus grabs, management profit schemes on gross incomes and heavily over staffed officer set ups is the order of the day?

The executive-director sits as judge, jury and executioner of his own acts and sentences, while no one represents the actual interest of the stockholder; in fact, they just pretend to, while all are working industriously for the "inside-ring."

I hoped to see this evil corrected in the new Securities Act, but not enough interest was taken by the stockholders at large to incorporate it in the law, and we must now depend on an amendment to same at the next session of Congress.

Meantime, I would suggest that *all* proxies be limited to "directors only." something like this—PROVIDED, This proxy shall *not* be voted for any executive officer as a director, which will serve as a gentle hint that—"We do not approve."—C. L. Allender, Littleton, W. Va.

EDITOR'S NOTE: *One of the points of contention betwen Allied Chemical and some of its stockholders is based on this same question of "excutive-directors."*

A "Free Trader"

Editor, READER'S FORUM:

Are you willing to meet some more arguments of the free-traders and discuss what they claim to be facts? Your remarks under "Our Part in the Foreign Debt Tangle" (June 23, 1932, page 420) shows you believe in a protective policy in spite of our being a creditor nation. You evidently believe that the tariff was responsible for the standard of living we had in 1929 and previously. In the broadcast of the "National Advisory Council on Radio in Education" Mr. Philip G. Wright stated that "Wages in the unprotected industries are as high or higher than wages in the protected industries." He also stated that it is a curious fact that European manufacturers fear the competition of no country more than that of the United States, even with its higher wages." He also stated that when England was on a free trade basis, wages were higher than on the continent "where protection had been a part of the national policies for many years." Do you dispute these statements as facts? If not, then how can our standard of living be due to the tariff? Is it not due, instead, to our use of labor saving machinery?—John M. Woods, Buffalo, N. Y.

How Long Should Bonds Run?

Editor, READER'S FORUM:

It would be interesting to see those Congressmen who are now struggling to devise sound legislation for the protection of the investor attempt to solve the jig-saw puzzle as to what constitutes the proper lifetime of corporate obligations. It was purely a matter of chance that many companies had bonds mature during the boom years, when they could be easily refinanced, or even replaced by stock issues. Others, less fortunate, have had fixed obligations mature during the depression and thus, largely through the chance element of time, have found themselves financially embarrassed. All extremes of maturity can be found in the markets. Although a debt carries with it the presumed obligation of repayment at a specified time, some railroad and public utility companies have succeeded in obtaining investment funds for an almost indefinite future or at least as long as interest can be paid. For example, West Shore 4s mature in the year 2361, or 428 years from date: while American Power & Light 6s mature in the year 2016, or 83 years hence. Scores of other long-term issues could be cited. Indeed, there are bond issues in some cases which are not redeemable at all. In theory, perhaps, bonds protected by sinking fund provision and reasonable maturity date are more desirable, but, after all, no bond is better than the earned income behind it, whatever its maturity.—L. A. S., Queens, L. I.

A Private Investment Trust

Editor, READER'S FORUM:

In the small private Investment Trust to which I belong, we have instituted a practice which is proving so satisfactory that I would like to pass it along for the benefit of other investment groups.

Two men of varying viewpoint are each asked to keep close watch on the identical list of stocks. They present their analyses and views at the regular meetings and the group thereupon decides as to its policies. Not only does this make for more accurate judgment, but has been productive of numerous points in regard to various securities which we have examined that I am sure would have escaped any single investigator. Each member is con-

(Please turn to page 296)

Taking the Pulse of Business

—New Orders Gain Sharply

—General Productive Activity Higher

—Purchasing Power Must Be Raised

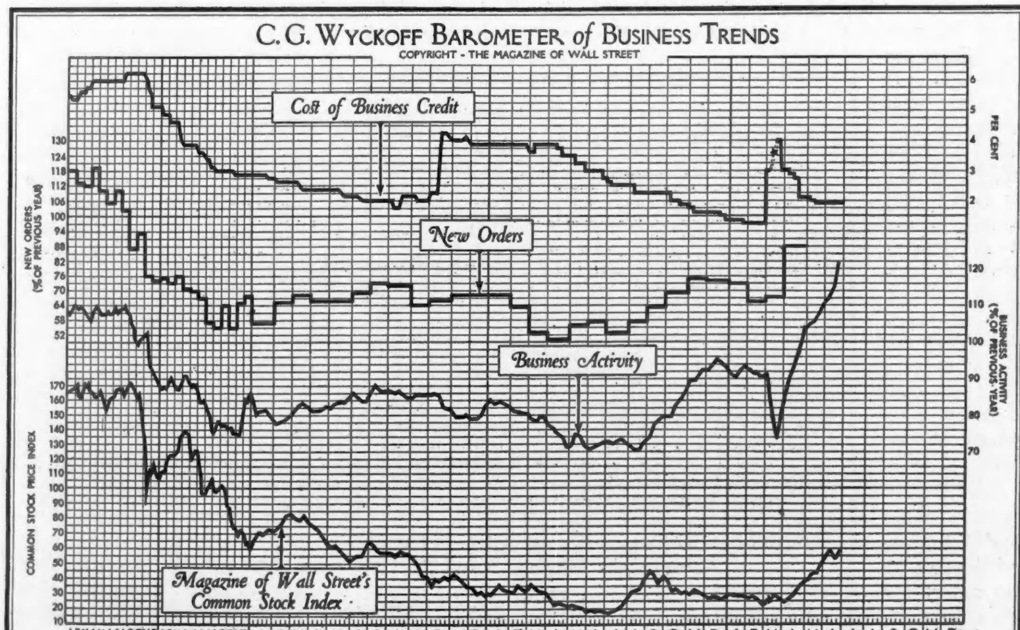
—Rail Outlook Better

—Steel Business Active

A FURTHER sharp rise in our Business Activity index during the past fortnight has brought the average physical volume of production, distribution, and trade up to a level which is 30% higher than a year ago at this season. This marked improvement is closely paralleled by New Orders placed with the country's basic industries which, according to the latest point just entered upon that graph, have registered the sharpest increase of any single month in the past eight years, and indicates that bookings are now running about 25% ahead of last year. Of course, current comparisons are unusually favorable, because last year at this time business was dragging around the lowest level of the depression; yet measured even by normal standards there is no question that conditions in every line of industry have improved greatly during the past few months. This is especially noticeable in such highly fluctuating industries as leather, textiles, automobiles and steel—a circumstance which is in keeping with the highly speculative character of the recovery in its present stage.

While it is undoubtedly true that recovery started last July from a firm foundation of abnormally suspended consumption, the most cursory examination of recent business statistics leaves little doubt that recent phenomenal gains have been preponderately in the field of producer's, and not consumer's, goods. Thus we find, as indicative of the demand for consumer's goods, that department store sales are 2% lower than a year ago, while payrolls and retail prices are off about 8%. What a contrast with the feverish activity in producer's goods, where raw material prices averaged at least 50% higher than last year, steel output has risen by 200%, lumber cut has gained 50%, and cotton purchased by domestic mills is over 100% above last year's takings at this time! So far as recovery from the present depression is concerned, it is quite evident that the motivating factor has not been a conspicuous rush for goods on the part of impoverished ultimate consumers; but rather a stupendous speculation in inventories by manufacturers, middlemen, and merchants in anticipation of yet higher prices.

Thus far it has been easy enough for business to finance all this creation and hoarding of goods, by means of cash on hand or through book credits, without calling upon the banks for assistance; so that the Cost of Business Credit continues to recede under the pressure of a steady return flow of hoarded money and continued open market purchases of Government securities by the Federal Reserve banks. But it is evident that the next important problem is to sell this accumulating supply of goods to a population whose pocketbook has been drained by three years of unemployment, reduced incomes, and depleted savings. Hence the emphasis which is now being placed by the Administration upon the urgent necessity of building up purchasing power by putting men to work at higher wages; while raising the price of agricultural commodities and prohibiting the vicious practice of selling goods below cost.



With this accomplished, such problems as currency stabilization, lower tariffs, debt adjustments, and reduced taxes, will be relatively easy to solve. In the meantime it appears from the foreign trade reports for May (a month of dollar depreciation and rising prices) that foreigners have less to fear from our failing dollar than had previously been supposed. The fact is that expectations of yet higher domestic prices have stimulated our imports more than our exports. Just at present, as may be gathered from the following more detailed review, we are more interested in discounting an expanding domestic market than in pushing our exports.

The Trend of Major Industries

STEEL—For the first time since April of 1931, steel operations are at 50% of capacity, and additional gains are expected in the near future. It is thoroughly characteristic of this industry, however, that the activity varies widely according to locality, ranging from 34% in Eastern Pennsylvania to 82% in New England where business is booming with the textile mills at capacity. Tin plate mills are averaging 95% to 100% of capacity. Of course a large part of this recent rise in activity springs from a desire to place orders at current prices before costs and prices are advanced under the labor provisions of the National Industrial Recovery Act. In fact prices have already risen slowly, and several of the more fortunately situated companies are at last earning moderate profits.

METALS—Metal shares are still exhibiting strength in the market under stimulus of advances in prices quoted for non-ferrous metals. At 47 cents, all of the world's tin mines are now operating at a profit; while 8 cents for copper has pulled several of the lower cost producers of this metal out of the red. The outlook for lead is much brightened by the prospective demand for paint which will arise from huge public works expenditures.

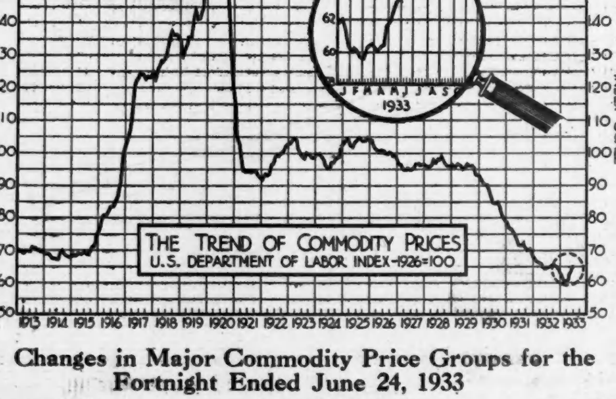
PETROLEUM—Rising consumption of gasoline, more effective control of crude output, and the imminent adoption of a code of fair competition by the industry have combined to bring about a sharply improved outlook for rising profits among the producers of petroleum and its refined products. Prices for oil and for gasoline have been advanced sharply in Texas, from which the gains have spread rapidly to the East Coast, and thence to California. If improvement in general business conditions can be maintained, the not distant future now holds promise of great prosperity for the oil industry, where current inventories have been acquired at unprecedentedly low prices.

RAILS—With gross revenues of the first 52 railroads to report for May up only fractionally above May last year, and off 30% from two years ago, it is almost startling to learn that net operating income in May was 157% ahead of last year, and only 1% lower than in May, 1931. If general business conditions continue to improve, the threat of receivership will be lifted from a number of roads this year; while many of the stronger systems will soon be in a position to make much needed repairs and purchase more efficient equipment. In this program they will be aided by the Government, under provisions of the National Recovery Act. Better times for the railroads will be translated into almost boom business for equipment companies.

TOBACCO—Withdrawal of cigarettes from bonded warehouses in May amounted to over 12.8 billions, the largest for any single month on record, and recorded an unprecedented increase of 4.1 billions, or close to 50%, over May of last year. This has wiped out the small drop during the first four months of the year, and produced a net gain for the five months of 9.5% over the corresponding period in 1931. The great rise in withdrawals of cigarettes in May did not hurt manufactured tobacco; although it was from the latter type of tobacco that it had been presumed the cigarette industry would recover its volume. In view of the comparatively small rise of recent months in the country's payrolls, it scarcely seems reasonable to attribute this phenomenal increase in cigarette withdrawals to any proportionate rise in ultimate consumption. A more probable explanation is a rush on the part of jobbers and retailers to stock up in advance of a rise in wholesale prices which has been rumored for the past few weeks. The proportionately large jump in withdrawals of the highest priced cigars, to 239,000 in May this year from 93,000 last May, could be attributed to the bull market in common stocks. Withdrawals of snuff and other manufactured tobacco was still below a year ago; while 5-cent cigars made an 11% better showing than last year.

Conclusion

In practically all industries there is feverish haste at the present time to produce and accumulate goods in anticipation of yet higher costs and rising prices. Hand-to-mouth buying, which was the slogan while prices were crumbling, has given place with a vengeance to the scramble to build up inventories which was witnessed while prices were skyrocketing after the world war. The public's appetite for goods is probably as keen now as then; but its purchasing power is much lower and must be built up if the present wave of speculative activity is not to collapse and leave us in a worse plight than ever before. It is perhaps this uncertainty which has prevented the Common Stock Index since our last issue, and until very recently, from participating very enthusiastically in the wild upturn in the great majority of raw material prices.

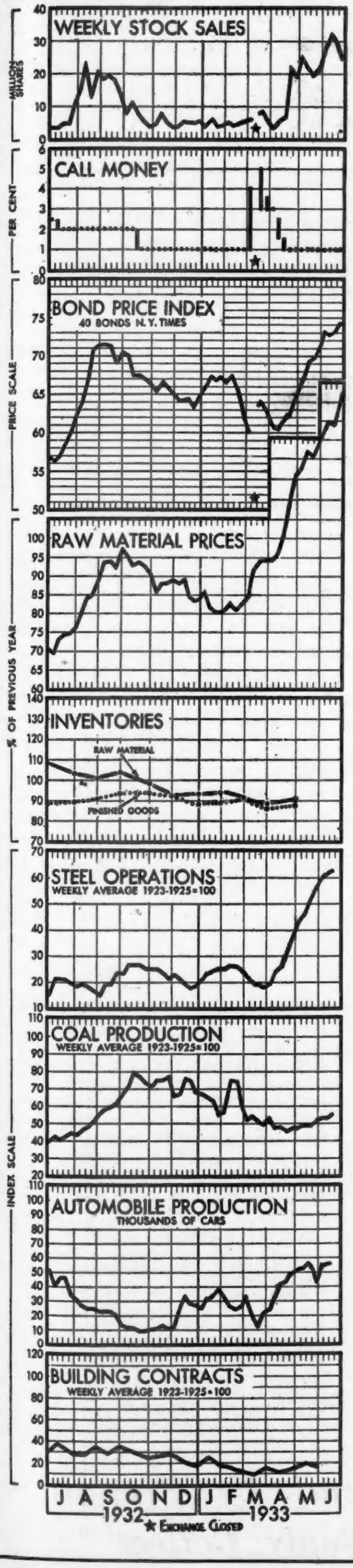


Changes in Major Commodity Price Groups for the Fortnight Ended June 24, 1933

Farm products	up 1.1	Metals	up 0.2
Foods	up 0.7	Building materials	up 1.1
Hides and leather	up 2.6	Chemicals	down 0.2
Textiles	up 2.8	Housefurnishings	up 0.4
Fuel and lighting	up 2.8	Miscellaneous	up 1.6

The Magazine of Wall Street's Indicators

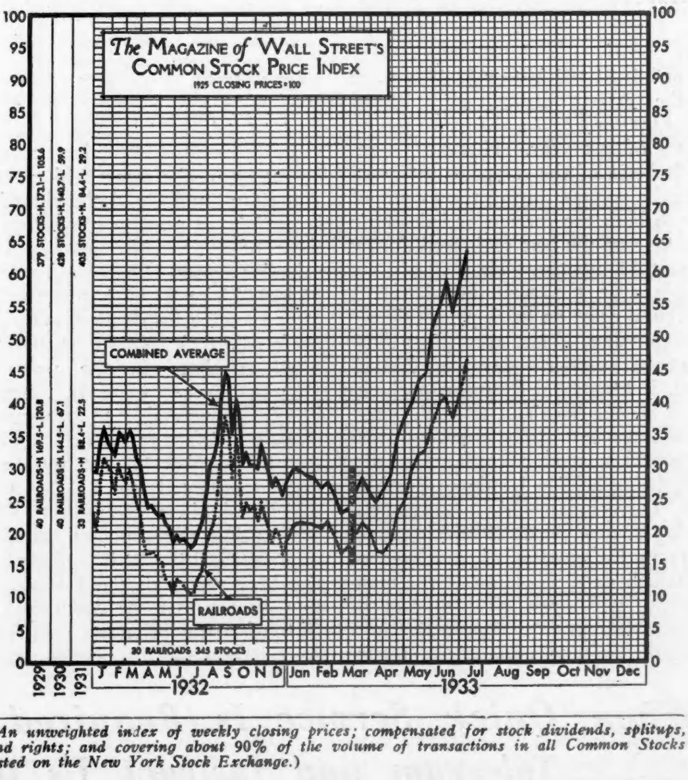
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	June 17	June 24	July 1
45.0	17.5	27.4	280	COMBINED AVERAGE	63.4	22.7	53.8	58.4	63.4h
66.8	17.9	32.3	3	Agricultural Implements....	100.6	26.8	81.2	93.1	93.8
59.3	11.4	16.9	6	Amusements..............	30.2	7.3	28.3	26.0	29.4
31.3	10.7	17.5	14	Automobile Accessories....	49.0	12.4	40.4	43.6	49.0h
17.6	5.8	10.6	14	Automobiles..............	19.9	7.3	17.3	19.2	19.9h
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)....	85.5	41.8	77.5	82.6	84.1
13.1	4.8	5.6	3	Baking (1926 Cl.—100).....	22.7	5.1	17.5	22.7h	22.1
129.9	60.1	96.0	2	Biscuit..................	155.4	79.9	143.4	146.6	155.4h
83.8	29.6	47.4	5	Business Machines........	124.1	39.8	100.0	109.7	124.1h
119.0	51.0	101.5	2	Cans.....................	167.0	92.9	156.3	165.5	167.0h
113.3	53.6	96.3	8	Chemicals & Dyes.........	211.1	73.2	161.1	173.6	211.1h
44.3	13.1	18.9	2	Coal.....................	33.9	12.0	25.9	32.3	33.9h
24.8	9.9	14.2	14	Construction & Build. Mat..	37.4	11.2	30.9	32.9	37.4h
57.2	14.9	24.0	8	Copper...................	75.6	21.2	60.1	63.5	75.6h
57.8	28.3	32.6	2	Dairy Products...........	47.7	23.0	42.4	43.5	47.7h
16.3	4.5	7.9	7	Department Stores........	23.0	6.6	17.9	20.7h	23.0h
74.3	35.1	53.7	8	Drug & Toilet Articles.....	86.5	45.3	78.9	81.0	86.5h
63.9	28.7	42.2	4	Electric Apparatus.........	89.7	35.6	79.8	85.5	89.7h
58.7	23.7	33.2	2	Finance Companies........	87.0	33.2	84.1	84.3	87.0h
56.1	28.3	39.5	5	Food Brands..............	68.9	32.6	58.8	63.2	68.9h
56.4	33.9	49.6	3	Food Stores..............	75.1	40.5	69.1	71.3	75.1h
41.8	11.7	17.0	2	Furniture & Floor Covering.	38.3	13.8	36.3	37.3	38.3h
527.8	357.9	514.0	2	Gold Mining..............	1153.0	481.2	941.5	1083.0	1153.0H
21.1	9.6	12.4	4	Household Equipment......	26.2	10.5	22.4	26.2h	25.3
31.5	9.5	22.0	7	Investment Trusts.........	35.4	14.5	32.2	33.5	35.4h
27.4	7.7	20.0	2	Mail Orders..............	41.0	13.5	33.5	35.7	41.0h
55.8	19.3	30.1	7	Metal Mining & Smelting..	98.8	30.1	83.1	89.2	98.8h
42.4	21.6	33.2	24	Petroleum & Natural Gas...	75.8	29.3	68.7	74.3	75.8h
22.5	6.2	9.8	4	Phonos. & Radio (1927-100)	26.8	6.7	23.2	24.4	26.8h
94.9	37.1	63.5	20	Public Utilities...........	100.6	40.8	91.2	94.8	95.8
37.8	12.0	17.7	8	Railroad Equipment........	67.4	17.7	47.4	53.2	67.4h
37.8	10.4	18.1	29	Railroads................	46.6	16.3	37.4	41.2	46.6h
44.4	14.9	27.0	2	Restaurants..............	37.7	19.9	29.6	31.8	37.7h
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.-100)..	130.9	57.8	95.0	101.0	130.9h
45.9	11.7	23.3	7	Steel & Iron..............	64.8	19.1	52.7	57.9	64.8h
12.4	3.8	7.3	3	Sugar....................	22.7	7.3	19.4	22.1	22.7h
121.6	53.9	112.1	2	Sulphur..................	165.7	79.3	145.0	154.8	165.7h
57.2	21.0	35.9	3	Telephone & Telegraph.....	73.1	28.1	64.4	69.0	73.1h
52.5	16.3	30.1	5	Textiles.................	75.3	22.5	63.4	70.0	75.3h
11.0	2.5	4.4	4	Tires & Rubber...........	12.9	3.0	10.9	11.6	12.1
68.6	40.8	48.2	4	Tobacco..................	84.1	46.2	78.9	82.9	84.1h
57.0	17.9	22.7	3	Traction.................	44.1	22.3	44.1h	43.6	42.1
50.9	23.3	34.3	2	Variety Stores............	48.9	23.3	44.7	46.9	48.9h

H—New High record since 1928 h—New high this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

INTERNATIONAL BUSINESS MACHINES CORP.

I have a small profit on 100 shares of International Business Machines Corp. Do you believe it would be advisable for me to take it at this time or do you think its business outlook warrants even higher prices. I would appreciate your opinion at this time.—A. K. P., Hartford, Conn.

Continuing the downward trend of earnings in evidence during 1932, profits of International Business Machines Corp. for the initial quarter of 1933 declined to $1,502,206 or $2.13 a share on the no-par capital stock, from $1,894,000 or $2.69 a share in the first quarter of last year. However, a recent bulletin of the company indicated that sales volume during the month of May in both the foreign and domestic divisions was the best registered during the past 21 months. Thus, it is quite possible that the semi-annual report will reveal common stock profits closely approximating, if not exceeding, those of a year earlier. Looking further ahead, International Business Machines should benefit from any amicable international trade relations resulting from the world economic conference currently being held in London. Furthermore, the company has a substantial backlog of new products and improvements in the process of development and which, in the opinion of the management, will open new sources of revenues and profits. We maintain a favorable attitude toward the future prospects of International Business Machines, and counsel the maintenance of your present position in the capital stock.

AMERICAN SNUFF CO.

Will you kindly tell me if American Snuff will benefit in like proportion with the pick-up in general business. I have 75 shares which I have been carrying for some time and I am wondering if one of the other tobacco companies might offer greater profit possibilities, without too great a sacrifice of income and safety.—M. M. P., Dayton, Ohio.

In common with other companies operating in the same field, profits of American Snuff Co. declined moderately during last year, in comparison with those of 1931. Net income for the calendar year 1932 amounted to $1,818,025 or $3.59 a common share, after allowing for dividends on the 6% preferred stock, against $1,916,132 or $3.81 a share in the year 1931. Despite lower earnings, American Snuff Co. was able to strengthen its already satisfactory financial condition. As of December 31, last, total current assets amounted to $13,745,899 of which cash alone amounted to $2,040,970 against total current liabilities of only $949,018. It is apparent from the May report of the Internal Revenue Bureau that the downward trend of snuff consumption has been checked, since output for that month amounted to 3,192,611 pounds, against 2,812,993 pounds in the month of May, 1932. Based on the assumption that the improvement can be sustained during the greater part of the remaining months of the current year, 1933 results should make favorable comparison with those registered last year. While other tobacco stocks may offer more interesting speculative possibilities, the shares of American Snuff Co. certainly merit favorable consideration on an income basis, and in the light of your circumstances, we advocate maintenance of your present position.

DRUG, INC.

I have 150 shares of Drug, Inc., purchased at levels well above present prices. It has paid dividends and I have not worried much about its market price as I felt it would come back when general business improved. But now I am wondering what will be the result if the company divides up its business into its original companies. I realize that many of its units are profitable but what about Liggett's? Would it be better to sell now or do you advise me to hold and await further developments?—T. T. R., Nashville, Tenn.

Although the actual decentralization plans of Drug, Inc., have not yet been formulated and considerable time may be required to work out the details, it is understood that directors are giving serious consideration to the idea of splitting up the unit into the component parts from which it was originally

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

built up in the period from 1928 to 1930. One such plan, as yet only in the rumor stage, involves the exchange of underlying stocks for each 100 shares of Drug, Inc., in the ratio of 50 shares of United Drug, 50 shares of Sterling Products, 10 shares of Bristol-Myers, 10 Shares of Vick Chemical and 5 shares of Life-Savers, Inc. The Louis K. Liggett Co., the retail chain-store division of the business, is now in receivership and efforts are being made to reduce the burdensome long-term leases at high rentals on many of its stores, which were responsible in large part for the difficulties of the chain. There is even some talk of withdrawing from the retail end of the business altogether, which might prove advisable since the company has always made better profits on its own manufactures than in selling advertised brands made by others. The Liggett chain is a subsidiary of United Drug and any equities therein would accrue to the stockholders in the latter issue, when distributed. It is probable that the manufacturing subsidiaries would be combined and that stock also given to holders of Drug, Inc. The company recently disposed of its controlling interests in the English unit, Boots Pure Drug Co., Ltd., avoiding the difficulties of foreign exchange and receiving the equivalent of $26,000,000 therefor, it is understood. In spite of the losses sustained by the Liggett unit, the enterprise reported a profit equal to 93 cents a share for the first quarter of this year, comparing well with the 1932 results of $3.84 a share. Therefore, we see no cause for alarm over your holdings and advocate retention for further developments.

ATLANTIC REFINING CO.

I am holding 125 shares of Atlantic Refining Co., my average price being about 45. I realize that this company showed quite a substantial loss for the first quarter but it seems to me that it is in a most favorable position to benefit with the clearing up of over-production and other factors that have been holding back the industry. If you think that there is an opportunity for profit I would like to buy at this time, thus averaging down my original price. I will await your advice, as it has been most helpful and profitable to me in the past.—K. T. L., Seattle, Wash.

Although it is true that Atlantic Refining sustained a loss of $3,127,000 for the first quarter of 1933, compared with a profit of $435,000 equal to 16 cents a share in the corresponding period a year before, these figures do not adequately reflect the company's potential earning power under normal conditions. Its net income of $3,918,021 or $1.45 a share for 1932 was well below the average for the past ten years and under the more favorable influences of stabilization of production and rising prices now in view, the company should be able to do better than last year's record in the near future. Its financial condition has always been satisfactory, as shown by the current assets on December 31, 1932, of $40,149,281 including $6,647,191 cash, the latter item alone exceeding all current liabilities of $5,204,248. Total funded debt of $14,070,793 is very moderate, amounting to less than half of the current assets and the bonds are not due until 1937. Hence, no large burden of fixed charges is carried and no danger exists from that source. Higher oil prices should be reflected in larger inventory values at present, offsetting the write-downs of that item in the past and improving both quick assets and earnings for the current period. With the Government's aggressive plans for bettering industrial conditions and the oil industry's favorable position to benefit by Government supervision, the shares of this well-managed unit seem poised for higher values eventually. Thus, you are not only justified in retaining your present commitment but we are not opposed to further conservative purchases to average down, upon any market weakness.

PHILLIPS PETROLEUM CO.

I have 100 shares of Phillips Petroleum bought 2 years ago at 32⅝. I had been advised to buy this stock "to average" at considerably below today's prices, but hesitated to do so because of the unsettled conditions in the oil industry. I would like to know now whether you advise retaining this stock, and whether you would recommend purchasing more at current prices.—R. N. S., Boston, Mass.

In reflection of the unsatisfactory conditions prevailing in the industry as a whole, profits of Phillips Petroleum Co., before depreciation, depletion, etc., declined to $1.428,214 during the initial quarter of the current year, from $3,095,070 reported for the corresponding interval of last year. After reserves for depreciation, depletion, etc., a net loss of $2,179,621 was sustained during the later period, against a deficit of $2,136,922 during the first three months of 1932. The decline in operating profits was attributed directly to price-cutting, since volume of business handled during the first three months of 1933 was larger than that registered in any first quarter since the company's inception. As this is being written, a conference of the nation's gasoline and oil marketing representatives is being held at Chicago, with a view toward stabilizing prices. It is intimated by well-informed sources that because of the Government's interest and influence in the situation, favorable results will be accomplished. By virtue of the satisfactory trade position enjoyed by Phillips Petroleum Co., we are rather optimistic relative to the earnings outlook for the balance of the current year. With this thought in mind, we regard the common stock as offering interesting speculative possibilities and endorse additional purchase on any price recession.

SKELLY OIL CO.

What do you think of Skelly Oil? I will appreciate any information you can give me regarding its present situation and prospects. I have 200 shares at an average cost of 19¼, and would like to know whether to hold this stock, or take my loss and buy something else.—T. K. M., Los Angeles, Calif.

Skelly Oil, like most of the smaller units in the industry, as well as some larger ones, has been adversely affected as to earnings in recent years by the chaotic conditions prevailing therein, having reported losses throughout 1931 and 1932. The first quarter of 1933 brought no change in this situation, a net deficit of $1,282,679 being sustained, compared with a loss of $278,628 for the corresponding period of 1932. Nevertheless, the company's finances were strengthened, rather than weakened, in spite of unprofitable operations last year; current assets on December 31, 1932, of $9,861,234 were 5.4 times current liabilities of $1,801,271, whereas the ratio was 4.6 to 1 at the end of 1931. High liquidity is found in the fact that cash alone at the close of 1932 was $5,259,589 or nearly three times total current debt, and notes payable were only $51,602 indicating that no short-term bank borrowing was necessary. Funded debt of $11,000,873 is not excessive by comparison with total assets of $45,152,179 and these debentures are not due until 1939. Substantial economies have been effected and efforts along this line are being pressed, so that full benefit may be expected from the higher prices now prevailing and anticipated for the near future, in both crude and refined petroleum products. Government supervision of the industry in co-operation with the oil companies themselves should doubtless result in a rapid correction of the evils that have beset the trade in past months in the form of over-production and ruthless price-cutting, so that we see nothing to be gained by taking a

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New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/28/33	Share
A								
Atchison	202⅜	79¼	94	17⅞	71¼	34⅝	65⅞	..
Atlantic Coast Line	120	25	44	9¾	48½	16½	47	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	26⅝	8¼	25¾	..
Bangor & Aroostook	66¾	18	35¾	9½	35½	20	35	2
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	40	21¾	38	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	18¼	7½	17⅝	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	42⅞	24⅝	41¼	2½
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	6¾	1	5⅝	..
Chicago & Northwestern	45½	5	14½	2	10⅜	1¼	8⅞	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	9¼	2	6	..
D								
Delaware & Hudson	157¼	64	92½	32	81	37½	78½	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	38⅞	17¼	37¼	..
E								
Erie R. R.	39¾	5	11¾	2	15½	3¾	15⅛	..
G								
Great Northern Pfd	69¾	15⅝	25	5½	25⅛	4⅝	24½	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	11½	15¼	..
I								
Illinois Central	89	9⅛	24⅞	4¾	33½	8½	32¼	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	10¼	4⅛	8½	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	21	6½	17⅛	..
L								
Lehigh Valley	61	8	29¼	5	21¾	8⅝	20⅛	..
Louisville & Nashville	111	20¼	38¼	7½	57¾	21¼	55⅝	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	16½	5¾	14½	..
Missouri Pacific	42¾	6⅝	11	1½	7½	1⅛	5¾	..
N								
New York Central	132¼	24⅞	36⅝	8¾	43⅜	14	41½	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	20	2⅛	18½	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	27½	11⅛	26¼	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	14¾	7⅝	12⅞	..
Norfolk & Western	217	105⅝	135	57	161	111½	161	8
Northern Pacific	60⅞	14½	25⅜	5½	25⅝	9⅝	24	..
P								
Pennsylvania	64	16¼	23⅜	6½	30¾	13¾	29⅝	.50
Pere Marquette	85	4	18	1¾	27½	3⅞	27	..
Pittsburgh & W. Va	86	11	21½	6	25	6½	24	..
R								
Reading	97½	30	52¼	9½	56	23½	53	1
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	3½	⅞	3⅛	..
Southern Pacific	109½	26½	37⅝	6½	31⅞	11⅛	30½	..
Southern Railway	65⅞	6⅜	18½	2½	26	4⅛	24½	..
T								
Texas & Pacific	100	22	35	13	37	15	37	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	102¾	61¼	117⅛	6
W								
Western Maryland	19⅝	5	11⅜	1½	12⅞	4	11¾	..
Western Pacific	14⅞	1¾	4¾	½	5	1	4⅛	..

INDUSTRIALS and MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/28/33	Share
A								
Adams Express	23½	3⅛	9½	1⅝	12¾	3	11½	..
Air Reduction, Inc	109¾	47⅝	63½	30⅞	92⅞	47½	89	3
Alaska Juneau	20⅛	7	16⅝	7¾	24⅞	11⅛	20	.60
Alleghany Corp	12¾	1⅛	3⅝	⅜	5	⅞	4⅛	..
Allied Chemical & Dye	182¾	64	88¼	42½	122⅜	70¾	115	6
Allis Chalmers Mfg.	42¾	10½	15⅜	4	21¾	6	19¾	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6½	32¾	9⅛	31½	.60
American Can	129¾	58⅛	73⅞	29⅝	95⅞	49½	90¾	4
Amer. Car & Fdy	38¾	4½	17	3⅛	29½	6⅛	29	..
Amer. Com'l Alcohol	14½	5	27	11	42¾	13	40⅝	..
American Ice	31⅝	10½	21⅝	3⅜	16⅜	3¾	14⅝	..
Amer. International Corp	26	5	12	2½	13⅞	4¼	11⅞	..
Amer. Mch. & Fdry	43¾	16	22¼	7½	19¾	8¾	18½	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	15½	4	13½	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	16¾	4⅝	15⅞	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	20½	5¾	18¼	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	37½	10¾	33½	..
Amer. Steel Foundries	31¼	5	15⅛	3	22½	4⅝	21½	..
Amer. Sugar Refining	60	34½	39¼	13	70	21½	65¼	2
Amer. Tel. & Tel	201¾	112⅛	137⅜	70¼	132	86½	126⅜	9
Amer. Tobacco Com	128¾	60½	86¾	40½	89¾	49	86½	5
Amer. Tob. B	132¾	64	89¾	44	93⅞	50¾	90½	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	41	10⅞	37½	1
Amer. Woolen	11⅞	2⅝	10	1⅝	16⅛	3½	14¾	..
do Pfd	40	15¼	39⅞	15½	59	22⅝	56½	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	18⅝	5	16½	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	5½	..
do B	2⅞	½	2	⅜	4½	¾	3¼	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	30	12⅜	29	1
Auburn Auto	295½	84½	151¾	28¾	73¾	31¼	63	2
Aviation Corp. Del	6⅛	2	8⅞	1½	13⅞	5½	12	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	12½	3½	11¾	..
Barnsdall Corp. Cl. A	14½	4	7	3⅜	10	3	9½	..
Beatrice Creamery	81	37	43½	10½	26¼	7	24½	..
Beech-Nut Packing	62	37½	45¾	29¼	70½	45	68	3
Bendix Aviation	25½	12⅝	18¾	4½	19⅜	6⅛	18⅜	..
Best & Co	46¼	19¾	24⅞	5¾	30¾	9	29⅜	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 6/28/33	Div'd $ Per Share
B								
Bethlehem Steel Corp	70⅛	17¼	29⅝	7¼	43⅜	10⅛	41½	..
Bohn Aluminum	43	15½	22¼	4⅞	51	9½	46	1
Borden Company	76½	35⅛	43⅛	20	37⅛	18	35⅜	1.60
Borg Warner	30¾	9	14¼	3⅜	20¼	5½	19¼	..
Briggs Mfg.	22¾	7½	11¾	2⅞	13¾	2⅝	11¾	..
Burroughs Adding Mach	32¼	10	13¼	6¼	19¾	6⅛	19¾	.40
Byers & Co. (A. M.)	60¾	10⅞	24⅝	7	28⅜	8½	26⅝	..
C								
California Packing	53	8	19	8	25⅝	7¾	24½	..
Canada Dry Ginger Ale	45	10⅜	15	6	23	7½	21¼	1
Case, J. I.	131½	33¼	65¾	16¾	94½	30½	88⅝	..
Caterpillar Tractor	52½	10¼	15	4⅜	24¾	5½	23⅝	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	27⅝	5⅞	24⅞	..
Chesapeake Corp.	54⅛	13⅞	20¾	4⅞	42¼	14⅞	40½	2
Chrysler Corp	25¾	11¾	21¾	5	36⅜	7¾	34½	..
Coca-Cola Co	170	97½	120	68½	96	73½	95	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22	7	19	..
Columbian Carbon	111⅝	32	41⅞	13½	65½	23⅛	62¼	2
Colum. Gas & Elec	45⅝	11⅝	21	4¼	27	9	24⅜	§.80
Commercial Credit	23¼	8	11	3⅞	15⅛	4	13⅛	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	39⅜	18	37⅜	2
Commercial Solvents	21½	6⅝	13¾	3½	28½	9	27½	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	4⅝	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	18⅜	7⅜	16⅝	.60
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	40	58	3.40
Consol. Oil	15⅞	4⅛	9	4	15¼	5	14½	..
Continental Baking Cl. A	30	4½	8	2⅞	17½	3	14¼	..
Continental Can, Inc	62¾	30¼	41	17⅝	64½	35¼	62¼	2
Continental Insurance	51⅞	18⅛	25¼	6¾	31	10½	30¼	1.20
Continental Oil	12	5	9⅜	3⅝	16½	4⅞	16¼	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	79¼	45⅜	77¼	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	60	14¼	58	..
Cudahy Packing	48⅞	29	35½	20	59½	20¾	52	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	3⅞	1½	3⅛	..
D								
Diamond Match	23	10⅝	19⅛	12	25	17½	23⅛	1
Dome Mines	13½	6⅝	12⅞	7½	34¾	12	32	*1.55
Dominion Stores	24	11	18½	11¼	21¼	10½	20½	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18	10¼	15⅝	.75
Drug, Inc	78¾	42¾	57	23	62⅝	29	60⅝	3
Du Pont de Nemours	107	50¾	59¾	22	83½	32⅛	77¾	2
E								
Eastman Kodak Co	185¾	77	87⅞	35¼	85	46	81	3
Electric Auto Lite	74⅜	20	32¾	8½	26⅜	10	24	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	12½	..
Elec. Storage Battery	66	23	33¼	12⅝	50	21	47	2
Endicott-Johnson Corp	45⅜	23½	37¼	16	61	26	58	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	25¾	9⅛	23⅜	.40
First National Stores	63	41	54½	35	68¾	43	67	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	4⅞	¾	3	..
Freeport Texas Co	43¼	13¼	28⅝	10	40½	16⅛	36⅝	2
G								
General Amer. Transport	73⅛	28	35¾	9½	38½	13¾	37¾	1
General Asphalt	47	9⅝	15½	4¾	21⅞	4⅝	20	..
General Baking	25⅝	9½	19⅝	10½	20¼	13	18⅞	1
General G. & E. A.	8½	1¼	2¾	⅜	2⅞	⅝	2	..
General Electric	54¾	22⅞	26⅛	8½	25¼	10½	24	.40
General Foods	56	28¼	40½	19⅝	38½	21	37¼	1.60
General Mills	50	29⅛	48½	28	71	35½	65⅛	3
General Motors Corp	48	21⅜	24⅝	7⅝	30⅜	10	29½	1
General Railway Signal	84⅛	21	28⅝	6⅛	40⅝	13¼	39½	1
General Refractories	57⅜	12	15⅜	1¾	18½	2½	18	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	15	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	24¾	12	23⅝	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	17⅞	3	15⅝	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	38½	9¼	36⅝	..
Gulf States Steel	37½	4	21⅛	2½	32	6¾	30½	..
H								
Hershey Chocolate	103¾	68	83	43½	58	35⅛	55⅜	3
Houston Oil of Texas (New)	14	3	28¼	8¾	35¼	8¼	32¼	..
Hudson Motor Car	26	7¾	11¾	2⅞	13¼	3	11⅜	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¼	1⅝	6	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	76¾	19⅛	70⅛	1½
Inter. Business Machines	179¾	92	117	52½	137	75¾	135	6
Inter. Cement	62½	16	18¾	3⅝	35¼	6⅛	34⅛	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	42¼	13⅝	39⅜	.60
Inter. Nickel	20⅛	7	12½	3½	18⅞	6¾	18	..
International Shoe	54	37	44⅜	20¼	51¾	24⅜	48½	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21⅛	5⅛	18¾	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	54¼	12½	50½	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	22	7⅜	19⅝	..
Kresge (S. S.)	29⅝	15	19	6⅝	15⅞	5½	14⅞	..
Kroger Grocery & Baking	35½	12½	18⅞	10	33⅜	14½	31⅛	1
L								
Lambert Co	87⅞	40⅛	56¾	25	40¼	22⅛	37⅜	4
Lehman Corp.	69⅜	35	51⅞	30½	73	37½	72½	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	95¾	49¼	93½	*5
Liquid Carbonic	55⅛	13½	22	9	41⅜	10¼	38⅛	..
Loew's, Inc	63½	23⅞	37¾	13¼	24¼	8½	23¼	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	40½	19¼	40⅜	2
Lorillard	21⅞	10	18⅜	9	23½	10⅜	23	1.20
M								
Mack Truck, Inc.	43⅞	12	28¾	10	44½	13½	42	1
Macy (R. H.)	106¼	50	60½	17	61½	24¼	60	3

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 6/28/33	Div'd $ Per Share
M								
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	8⅞	.40
Mathieson Alkali	31½	12	20⅞	9	33¾	14	32¾	1½
May Dept. Stores	39	15⅝	20	9½	31½	9¾	31	1
McKeesport Tin Plate	103½	38½	62¼	28	87	44⅛	85½	4
Mont. Ward & Co	29¼	6⅝	16½	3½	26⅞	8⅝	24¾	..
N								
Nash Motor Co	40⅞	15	19¾	8	22¾	11⅛	21	..
National Biscuit	83¾	36⅜	46⅞	20¼	60⅝	31½	58	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	21½	5⅛	21	..
National Dairy Prod	50¾	20	31⅜	14⅜	23⅞	10½	23	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20⅜	6⅞	18	1
National Steel	58⅛	18½	33⅞	13½	54¼	15	51⅝	1
North Amer. Aviation	11	2⅜	6⅝	1¼	8½	4	7¾	..
North American Co	90¼	26	43¼	13¾	36¼	15¼	32¼	§8%
O								
Ohio Oil	19½	5⅛	11	5	16¼	4¾	15⅞	..
Otis Elevator	58½	16⅛	22½	9	24½	10⅛	21⅞	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	8	..
Owens Ill. Glass	39¾	20	42¼	12	91¾	31½	88¾	2
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31¼	20	29	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	34	3
Packard Motor Car	11⅞	3⅞	5¼	1½	6¾	1¾	5¾	..
Paramount Publix	50¼	5½	11½	1½	2½	⅛	1¼	..
Penney (J. C.)	44¾	26¾	34½	13	44⅞	19¼	43¾	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	65	4
Phelps Dodge Corp	25⅝	5⅞	11⅝	3⅞	15½	4½	13½	..
Phillips Petroleum	16⅝	4	8⅛	2	15¾	4¾	15⅛	..
Procter & Gamble	71¼	36⅜	42¾	19⅞	44¾	19⅝	43	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	52½	2.80
Pullman, Inc.	58½	15¼	28	10½	51⅞	18	50⅞	3
Pure Oil	11⅞	3¼	6½	2⅞	9¼	2½	8¾	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	23⅞	5⅞	21½	1
R								
Radio Corp. of America	27½	5⅛	13½	2½	11¼	3	9⅜	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	5¾	1	3¾	..
Remington-Rand	19¾	1⅞	7½	1	9½	2½	9	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	19⅛	4	17¾	..
Reynolds (R. J.) Tob. Cl. B	54½	32½	40¼	26½	46	26½	44⅞	3
Royal Dutch	42⅝	13	23¾	12⅛	31⅜	17⅝	31	.80½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	57½	28	55⅝	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	38¼	12½	37	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	33½	15	29½	.60
Servel, Inc.	11¾	3½	5⅜	1½	5⅝	1½	5	..
Shattuck (F. G.)	29½	8¼	12¾	5	12⅛	5¾	11¾	.24
Shell Union Oil	10¼	2½	8¾	2½	9¾	4	9⅜	..
Simmons Co.	23¾	6⅞	13⅜	2¾	19	4⅜	17⅜	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	14½	6	13⅞	..
So. Cal. Edison	54½	28⅜	32¾	15¾	28	17½	25¼	2
Standard Brands	20½	10½	17⅞	8⅜	25⅜	13¾	24⅞	1
Standard Gas & Elec. Co.	88⅜	25⅛	34¼	7⅝	22½	5⅛	19⅜	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	37½	19½	36½	1
Standard Oil of N. J.	52½	26	37⅜	19⅞	39¾	22¾	38¾	1
Stewart-Warner	21⅞	4¾	8½	1⅞	9⅜	2½	7½	..
Stone & Webster	54½	9⅞	17⅜	4⅝	17⅞	5¾	16	..
Studebaker Corp	26	9	13¾	2½	8⅜	1½	6½	..
T								
Texas Corp	36¼	9⅞	18¼	9¼	24⅞	10¾	24½	1
Texas Gulf Sulphur	55¾	19½	26¾	12	32⅞	15¼	31	1
Texas Pac. Land Tr	17⅝	4¼	8½	2½	11⅛	3½	9¾	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	10	3⅛	9½	..
Timken Roller Bearing	59	16½	23	7¾	31¾	13¾	30⅝	.60
Transamerica Corp	18	2	7⅛	2⅛	8⅞	2⅝	7⅞	..
Tri-Continental Corp	11¾	2	5½	1½	8½	2¾	8	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	38	9¼	36¼	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	42⅜	19¾	41	1
Union Oil of Cal.	26⅝	11	15⅜	8	21	8½	20¼	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6½	36⅝	16½	33⅜	..
United Carbon	28¾	6⅛	18	6⅝	27⅞	10¼	24¾	1
United Corp.	31¼	7½	14	3½	14½	4⅞	12½	.40
United Corp. Pfd	52⅛	26⅛	38⅜	20	40⅞	24⅞	39⅛	3
United Fruit	67¾	17½	32⅜	10¼	63	23¼	61¼	2
United Gas Imp	37½	15⅜	22	9¼	24½	14	22	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	66⅜	13½	63	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	18⅝	6⅛	17¾	50
U. S. Realty	36¾	5½	11¾	2	13¾	2½	11½	..
U. S. Rubber	20⅜	3½	10¼	1¼	15¾	2⅞	13¾	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	56¼	13½	53⅛	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	60	23⅜	58¼	..
U. S. Steel Pfd.	150	94	113	51½	98	53	97	2
Util. Power & Lt. A	31	7⅞	10⅜	1½	8⅞	1⅞	7⅛	..
V								
Vanadium Corp	76¾	11	23¾	5¼	27⅝	7⅝	25⅛	..
W								
Warner Brothers Pictures	20¾	2⅛	4½	½	6½	1	5⅛	..
Western Union Tel.	150¾	38½	50	12⅜	64⅛	17¼	56⅛	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	31¼	11¾	29¼	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	49¼	19⅜	45¾	..
White Motor	26¼	7⅜	27¼	6⅞	21¾	16	20	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	46⅞	25⅛	45⅝	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	37	8	33½	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	50½	34½	49	3

† Bid Price. § Payable in stock. * Including extra. ‡ Old stock.

Commercial Solvents Corp.

(*Continued from page* 281)

a share in the previous year. For the first quarter of this year 9 cents a share was shown, against 11 cents in the corresponding previous period. Although the latest showing is considerably under that necessary to cover the regular 60-cent annual dividend, it must be remembered that business improvement hardly began before the second quarter of this year and that coming reports are certain to be considerably better. It might also be noted that Commercial Solvents is among the very few companies to carry not only good-will and patents at $1 on its books, but also at the same nominal sum the plants and machinery on which millions have been spent. As a comparatively low-priced speculation—$28 a share—which may be expected to benefit to the full in any future recovery the stock has much to commend it.

Answers to Inquiries

(*Continued from page* 287)

loss in your holdings of Skelly Oil at this time. We advise you to maintain your position with a view toward the longer-term speculative possibilties.

CLUETT, PEABODY & CO.

My broker advises me to sell 100 shares of Cluett, Peabody stock for which I paid $40 a share. I shall appreciate your opinion and would particularly like to know if the increase in cotton prices is likely to affect their earnings adversely? Any information you can give me will be greatly appreciated.—N. L., Washington, D. C.

Cluett, Peabody & Co., Inc., reported for the year ended December 31, 1932, a net loss of $271,752 as compared with a net profit of $553,818, equivalent after 7% preferred dividends, to $1.45 a share on the common stock in the previous year. Operations of this leading collar and shirt manufacturer have been severely affected during the depression by the tendency of the consumer to purchase low priced goods rather than those of quality, such as are manufactured by Cluett, Peabody. This has resulted in extreme competitive conditions within the industry which are unlikely to moderate prior to an improvement in the unemployment situation. Nevertheless, the company occupies a lead-

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

A COMPLETE FINANCIAL LIBRARY IN 6 VOLUMES

These six Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at new low prices. Write for descriptive circular. (752).

WHEN TO BUY AND WHEN TO SELL

The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

"TRADING METHODS"

This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785).

PARTIAL PAYMENT PLAN

An old established New York Stock Exchange house is issuing a booklet describing a method by which listed securities may be purchased on monthly installments in odd lots or full lots. (813).

INVESTMENT PROFIT INSURANCE

The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

ELECTRIC BOND & SHARE CO.

Full information or reports on companies identified with Electric Bond & Share Co., furnished upon request. (898).

"STOCK EXCHANGE SERVICE FOR THE SMALL INVESTOR"

This booklet, published by M. C. Bouvier & Co., will be sent upon request. (908).

"HOW TO PROTECT YOUR CAPITAL AND ACCELERATE ITS GROWTH—THROUGH TRADING"

Is the title of an interesting article by E. B. Harmon of A. W. Wetsel Advisory Service, sent to investors on request. (936).

BROKERAGE SERVICE TO INVESTOR AND TRADER.

Springs & Co., members New York Stock Exchange and other leading exchanges, have prepared an interesting folder on brokerage service to investor and trader. Copy gladly sent upon request. (948).

22 MONTHS IN AND OUT OF STOCKS

Neill-Tyson, Inc., have issued a record of market forecasting accuracy. Sent upon request with current market forecast bulletins. (951).

MAKING MONEY IN STOCKS

This booklet, issued by Investor Research Bureau, together with four security recommendations, will be sent free to investors on request. (953).

MONTHLY STOCK RECORD

Dunscombe & Co. offer 180-page booklet containing statistics on securities listed on all principal stock exchanges. Copy sent on request. (959).

It's Good Business

Buy the products of your companies—the ones in which you are financially interested. Many of them advertise in The Magazine of Wall Street.

ing position in its field, enjoys capable management and has maintained a sound financial condition. Cash and equivalent aggregated $3,851,174 as of December 31, 1932, which was approximately ten times total current liabilities of $336,473, while net working capital stood at $7,393,513. Cluett, Peabody may be expected to retain its strong competitive status in the collar and shirt division, while the "Sanforizing" division should gradually become increasingly important as a revenue producer. Profits, however, are likely to reflect the status of consumer purchasing power. Since this will be favorably influenced by higher commodity prices, we see no reason to believe that higher cotton prices should have an adverse affect upon earnings. Accordingly, we advocate retention of your present holdings for further price appreciation over a reasonable period of time.

HERCULES POWDER CO.

As a new subscriber to your Magazine I will appreciate your opinion on the outlook for Hercules Powder Co. I have a small block of this stock at an average price of about 62. Will the explosive end benefit by the new public works and building program? Is the company likely to reap immediate benefit from the improvement in general business with its wide range of products? Do you think additional purchases at this time would be profitable? I will appreciate your reply.—J. W. S., Kansas City, Mo.

Hercules Powder Co. manufactures a broad line of products, including, acids, nitrocellulose, chemical cotton, rosins, turpentine, alum and a considerable number of specialty chemicals, in addition to various types of explosives. As a result of this broad diversification of interests, the company's earnings fluctuate almost directly with the general status of business. Hence, practically all divisions of the company receded in 1932 below the level of the previous year. One exception, however, was the chemical cotton division which was greatly benefited by the activity in the rayon industry. That the declining trend of earnings has recently been reversed, is evidenced by the report for the quarter ended March 31, 1933, when a net profit of $226,978 was shown, equivalent, after allowing for dividends on the 7% preferred stock, to 7 cents a share on the common stock. This compares with $87,207, or 80 cents a preferred share in the initial quarter of last year. On March 31, last, total current assets, including cash and equivalent of approximately $6,239,000, amounted to $14,177,602, while total current liabilities were only $385,035. Through its active research department, the company is constantly developing new products which may be expected to add to revenues upon a return to more normal economic conditions. Moreover, the explosive end of the business is likely to benefit materially from the Federal Government's construction program. All together, we regard the company as strategically situated to promptly reflect general business improvement, and feel that additional purchases of the common stock are fully warranted during periods of market reaction.

AMALGAMATED LEATHER COMPANIES

What is your opinion as to the advisability of holding 200 shares of Amalgamated Leather? This is still selling a little under what I paid for it but in the light of recent advance in prices I am wondering if this would be a good opportunity to sell. If, however, the outlook for greater improvement is promising and there is a chance for profit I want to hold. I will appreciate a reply by return mail.—B. V. T., Baltimore, Md.

The principal products of Amalgamated Leather Companies, Inc., consists of various types of kid skins used in the manufacture of women's shoes. Largely as a result of the highly competitive condition of the leather industry brought about by an over-extended capacity, operations of this concern have resulted in a profit on the common stock in only three of the past twelve years. The company reported for the year ended December 31, 1932, a net loss of $23,277, as compared with $393,429 loss in 1931. The smaller loss last year was due principally to improved demand and higher prices for leather. Despite unsatisfactory results for some years past, a fairly satisfactory financial condition has been maintained, total current assets, as of the year end, amounted to $3,391,179 including $199,626 cash, while total current liabilities stood at $1,206,199. It has been reported that the company's operations for the four months ended April 30, last, resulted in a profit of approximately $130,000, or $2.60 a share on the preferred stock. This was a considerable improvement over the net loss of $23,277 shown in the similar period of last year. Furthermore, higher leather prices, together with a broader public purchasing power should extend the profits recently in evidence. Admittedly, the substantial dividend arrearage on the preferred stock detracts from the appeal of the common stock, but since you have retained your holdings through what appears to be the worst of the situation, we see little cause for disturbing your position in the stock at this time.

Selecting New Market Leaders Offering Large Near-term Profits

OUR market analysts are now selecting those stocks which should be among the new leaders of the advance. You should hold these issues in anticipation of material profits through inflation and the operation of the National Industrial Recovery Act.

80% Profit in One Week

NEW YORK SHIPBUILDING was recommended Tuesday, June 13th, as a "buy under 9½." Tuesday, June 20th, we advised "Sell above 17" . . . a profit of 7⅞ points in one week.

This is typical of the specific advice through which we have enabled subscribers to take over $1,500 profit in ten weeks on ten-share commitments.

Service definitely recommends active listed stocks . . . carries them under continuous observation . . . then advises when to take profits and switch. Trading Advices or Bargain Indicator (dividend-paying stocks) may be followed in ten-share lots with $800 capital; $500 is sufficient for Unusual Opportunities (low-priced issues). With larger capital, purchases and resultant profits may be increased proportionately.

Full consultation privileges on present holdings at all times.

Complete Service for Six Months Only $75

Stocks Still Have a Long Way to Go

Industrial stock averages are still 50% lower than their average 1926 levels to which point the Administration is virtually pledged to raise commodity prices. Selected securities will naturally follow, and our market specialists are recommending purchases of such issues on all technical recessions. Expert market counsel is vitally essential if you are to profit to the fullest extent possible in the further recovery.

Subscribers to THE INVESTMENT AND BUSINESS FORECAST of The Magazine of Wall Street are never in doubt as to their market position. They receive definite and timely recommendations on what and when to buy and when to sell. Profits of more than 175 points have been made available to them in the past ten weeks through these specific advices.

A Service Tested By Long Experience

For fifteen years this service has been guiding investors and traders through periods of depression and inflation with an outstanding record of profit. Its subscribers are located not only in the United States but in Canada, Central and South America, and Europe. These investors must have market advisory counsel that is up-to-the-minute and that will permit them to operate profitably despite the handicap of distance from the financial centres. That they find the service of THE INVESTMENT AND BUSINESS FORECAST satisfactory is a tribute to its accurate prediction of market trends and its careful selection of desirable securities.

The INVESTMENT and BUSINESS FORECAST OF The MAGAZINE of WALL STREET

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Dividends and Interest

A Revelation of the Industrial Future

(*Continued from page* 269)

Power metamorphoses, and the machines with it. The Exposition is one of power and machines rather than of products. Everywhere the process of production and service is demonstrated. The age wants to know what is inside the box. How steam, gas, electricity, gasoline, electron, and chemical affinities work is the subject of ten thousand exhibits. Not only are the machines of men explained but also the machines of nature. The cow, the hen, the hog and the steer appear as natural food machines, all to be endlessly improved by the direction of man. Even man himself appears as an anatomical and emotional machine which can be self-improved. The general application of eugenics is intimated as the main hope that humanity can rise to the plane of the colossal power it has evoked and will evoke. Nothing is regarded as final or consummate.

The command of power reveals that urban life, even though spread into the country is more and more to dominate the nation. The capacity of agriculture to provide food and industrial material advances even more rapidly than the capacity to use them. This foretells a future of infinitely higher standards of living for the masses and of an expansion of industrial production far beyond present conceptions. The lesson for the investor is that his opportunities will be vastly increased and broadened but that more than ever before must he be nimble in his operations and continuously guided by a consciousness of endless evolution; he must look always more to the future and less and less to the past.

One might spend weeks observing and days writing about the economic changes foretold by the Fair through the miracles of chemistry and physics. But condensed into a few words the lesson is that there can be no greater mistake than to imagine that a static period has come in industry because there is nothing more in science to discover or in practice to invent. On the contrary, the Exposition warns, almost terrifyingly, that mankind may be distracted to impotence by the excess of choice and selection of things to do. Given the economic machine that can deal with the output of power and goods, says the Century of Progress, there lie beyond still greater centuries of progress. Failing in that the crass colors and eccentric outlines of the exposition structures may be interpreted as a grim hint that back to barbarism may be the outcome. But here is promise of greater activity, greater productivity, greater rapidity of distribution, transport and transit than ever, with change and improvement always in process, always in prospect, and every generation one of a world of new adventure and improvement of material well being. There is nothing at Chicago that promises that men will rest from physical labor and material achievement to repose in the Nirvana of the simple life.

Outlook Brightens for Greatest Consuming Industry

(*Continued from page* 272)

struction industry in supplying an outlet for a wide variety of basic industries. The upturn in building construction is therefore a powerful support for an upturn in general business, but more particularly in a group of industries which deal directly with it.

As has been indicated before, the immediate incentive for the present spurt in construction activity had an undeniably speculative character—it may be described as in one sense a "flight from the dollar." To this extent we cannot overlook the fact that it is to a degree vulnerable to any genuinely effective measures of currency stabilization which would restore confidence in the future purchasing power of the dollar.

At the same time, a solid foundation in deferred demand had been built up for the increased activity, even before the prospects of inflation and public works expansion appeared, to energize it into activity. We believe that the rate of activity over the coming period will remain higher, on the average, than in the recent past, in spite of any setbacks that may appear and, in fact, are likely to appear, both because of the speculative flavor which the upturn in general business has assumed, and because of the unusual rapidity with which the upturn has advanced. The essential point is that the pre-requisites for a recovery in building activity—pent-up demand, a low initial price level, and cheap money—are adequate to support a substantial increase in business irrespective of momentary ebbs and flows.

We believe outstanding stocks in the industries affiliated with or subsidiary to the building construction industry are worth considering for investment, taking into account of course the extent to which the market rise has already discounted their encouraging prospects.

What Every Investor Should Know About Market Action

by A. W. Wetsel

As indications that we definitely have passed the "turning point" of the depression continue to multiply and the intensity of the upward trend continues, we receive many letters from puzzled investors seeking information about how to recoup their losses . . . how to start rebuilding lost fortunes . . . how to make profits today.

NOW, it has been our opinion, and we have so advised repeatedly, that you do not need a bull market in order to protect your holdings and make money. True, in a broad upward market more people become interested and action is more decisive. There is not the hesitancy nor fear that often accompanies a declining market or a sideways market. But through a sound understanding of market action, it is possible to safeguard your investments and take profits in all types of markets.

Substitute Knowledge for Indecision

You have often heard the old adage that "anyone can buy but the profits come from knowing WHEN to sell." That very knowledge is obtainable from the market itself.

Security prices are human conclusions—the meeting ground of the buyer and seller. Therefore, if you are to gauge market action, the human element must be considered as a controlling factor.

Statistical information, while of vital importance, is not a conclusive guide. Time and again, in the last few months you have seen the market move in directly the opposite direction from the way in which statistical reports indicated it should move. As for instance, last summer. Statistically, the country was at its lowest ebb, yet the upward swing starting in July lasted for three months. Again in April U. S. Steel issued the poorest report (statistically) it ever published and almost immediately (within a month) its common stock rose from 26 to 49.

That is why we repeatedly state that security prices are controlled by factors within the market itself. Through constant analysis of these factors it is possible to predetermine market action—to tell WHAT should be done to provide protection and enhance the opportunities for profit.

Today with the market attracting a constantly widening circle of buyers . . . with possibly the greatest opportunity for profiting that we have had in three years . . . it becomes imperative to know in advance what you reasonably can expect to do and what should not be done.

Two Ways to Know

In order to gain that knowledge you can either devote much of your time to the subject and reach your own conclusions, or, you can profit by the experience, knowledge and guidance of others. And this latter group may be divided into smaller groups.

There are many who profess to be able to foretell market action. It is our suggestion, however, that in choosing such counsel you carefully analyze:

(1) The methods used in forecasting

(2) The record achieved by following those methods

Wetsel Method Inductive

Wetsel recommendations are the results of inductive reasoning, that is, positive conclusions arrived at through careful and constant analysis of contributing causes that are known to govern market trends and security prices. This method is directly opposed to those conclusions based on **deductive** reasoning from assumed causes and incomplete facts. Nor is a Wetsel recommendation the result of a composite average (if, indeed, such a thing were possible) of the conclusions of others.

The success of this organization (and, therefore, the financial progress of its clients) has been based upon its exclusive methods and original conclusions as applied to market action and the making of money.

From the Wetsel Record

By ignoring all other methods or "systems," the Wetsel method of interpreting the Technical Factors that control market trends and security prices, successfully foretold:

—the October, 1929, break in September—and again on October 7 of that year.

—the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy."

—the break of April, 1931, when business indices and statistics indicated broad improvement. Mr. Wetsel wired his clients to sell both investment and trading holdings.

—five major upswings that occurred during this period.

—rising market of last summer (on July 9), at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.

—the market rise following the bank moratorium. After advising clients to stay out of the market during February, specific buying recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.

—the beginning of the gold embargo market. Purchases again being made on April 14-17—two to five days prior to the sensational rise following the embargo.

—the long persistent Spring rise, following the gold embargo soon again afforded large profit opportunities as buying instructions had been issued two to five days prior to the beginning of the rise.

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregate even more profits.

Enhancing Your Opportunities

Today, we are in the type of market that is likely to cause some investors to become careless or subject to misleading guidance through giving too much credence to certain phrases or actions. Therefore, the following warning is issued as a **general** guide to all investors.

We are not yet in a strictly selective market.

Do not be misled as to the possible effects of inflation. All securities will not react alike.

Markets move in advance of statistical information. Beware of buying or selling after statistics are published.

Market forecasting is not yet a science. It is possible to foretell trends and prices with a much better than average degree of accuracy but not with scientific precision. Do not be misled by claims of scientific methods.

We agree that the present is a "good time" to enter the market with a view toward recouping losses and again making profits. But we also know that your chances are greatly enhanced if you are advised by experienced, independent counsel WHAT to buy (and sell) WHEN and at WHAT prices.

That, in short, is the function of this organization. From the individual and organization with large estate problems to the small investor and trader seeking to build up his capital there is a Wetsel Service for every investor's need.

Booklet Shows How—Sent Free

Those who are satisfied to judge financial progress by the complacent standards of a few years ago (the known fallacies of today) will not be interested in this type of service. But for those who do realize that market trends and security prices are being forecast—profitably, we have prepared a clear and specific description of conservative and profitable trading methods.

This booklet, "How to Protect Your Capital and Accelerate Its Growth . . . Through Trading" merits your serious thought at this time. It has pointed the way to a sound understanding of market action for both large and small investors throughout the country. Send for it today. See how this method might help you. No cost or obligation. Merely fill in and mail the coupon.

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Please send me, without obligation, your analytical booklet "How to Protect Your Capital and Accelerate Its Growth . . . Through Trading."

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Readers' Forum

(*Continued from page* 282)

stantly aware of the Trust's activities and able to dissent or make recommendations at any time.

We have kept our organization as simple as possible. There is the minimum of red tape, a member may withdraw at any time by selling his equity at the market. Loans are made by our Trust on the equity value much as brokers loans are made in the Street.—C. L. McCutcheon.

On the Way Out

(*Continued from page* 267)

multiply the business of reputable investment banking houses. Elimination of artificial inflation of securities should vastly increase wide-spread public investment buying. Much of the element of uncertainty and distrust of new issues will be removed from the mind of the public by the new securities act, and this is not only an obviously desirable situation, but to students of investment banking it will appeal as a timely device. Certainly, if general public investment in corporate securities is to be restored, some new and effective provision is vitally necessary to overcome the wide-spread apprehension which is the natural result of the uncontrolled manufacture of worthless securities, which all previous laws have appeared to be powerless to check.

These new laws do not discourage legitimate speculation—the purchase of securities based on the opinion that they are too low, or that favorable prospects justify a belief in future rise in value.

Even short selling under legitimate circumstances is not prohibited. It is artificial manipulation which defeats the operation of the law of supply and demand—which discourages legitimate investment and speculation—the perverted use of the funds of the investor, the merchant, and the industrialist, to extract from him the racketeer's tribute, which these new measures seek to eliminate.

It has not been necessary that the general public have such a clear view of this irrational situation as we have attempted here to express. Unanalyzed resentment has started the movement; better understanding will unquestionably lead to elaboration of our new laws to the end that our deposits in our banks, our savings and our investments, will be safe and sound beyond peradventure, and the banker or broker who is unable to adjust his mental processes and procedure to that central idea, will save himself some severe headaches by resigning at once and joining the reforestation forces, if he can make the grade.

Can Business Maintain the Pace?

(*Continued from page* 265)

may take a look at the situation planned recovery has to deal with, and see just where we are, at the moment, in relation to the business cycle and our last previous spree of prosperity. In the fact that our present situation is subnormal, like that of a deflected steel bar or a cork held under water, there may be some virtue—a natural tendency to spring back quickly, at least to normal position.

For three successive months to the end of May the wholesale commodity price index has advanced and the tendency has continued into June. The Department of Labor index, taking the monthly average of 1926 as 100, stood at 90 in April, 1930. By April, 1931, it had dropped to 74.8, and a year later it stood at 65.5. The low point, 59.8, was reached in February this year, with March showing 60.2, April 60.4, May 62.7, and the latest week 64.5.

National income of the United States, according to estimates by the National Industrial Conference Board, was 85.2 billion dollars in 1929. In 1930 there was a fall of about 15 billions, to 70.7 billion dollars, with a further drop of 18 billions, to 52.7 billion dollars in 1931. A preliminary estimate for 1932 indicates a total of approximately 40 billion dollars. In the early months of 1933, the decline probably continued.

An accompanying table shows an interesting comparison of farm and labor purchasing power from 1909 to date.

Although labor has suffered severely, its purchasing power has remained well ahead of agriculture, even at the bottom. An estimate made early this year by the National Industrial Conference Board placed wage income of employed industrial workers at 59 per cent of what it was in 1929. Earnings of the industrial population, employed and unemployed, were estimated at 34.6 per cent of 1929. Giving effect to the reduced cost of living, the purchasing power of the industrial population was worked out at 46.1 per cent of 1929. In similar manner, if the wage income of employed workers is divided by the cost of living index, it is found that purchasing power of employed work-

ers is 78.5 per cent, in terms of today's wages and today's prices, of what it was in 1929. These estimates were made on the basis of the Board's cost of living index for December, 1932, which stood at 75.1, taking the monthly average of 1923 as 100. In April of this year the index was still lower, at 71.5. In April, 1930, it was 97.9.

Perhaps these figures have been too little understood by those who have been wondering where the purchasing power back of the current revival in retail trade is coming from.

Because of the comparison already noted between farm purchasing power and that of industrial workers, very great potential recovery seems to lie in the moves undertaken to bring back the agricultural market for industrial goods. If the farmer is restored to his rightful position as an important consumer, coincident with the restoration of labor's income, the aggregate purchasing power of the country may swiftly be established at a level which would bring general business back to prosperity in jig-time.

With the "A.A.A." taking care of the agricultural program, industry's part in recovery will be under the thumb of the "I.R.A." At the outset, pronouncements by General Johnson made it appear that it would be a "profitless recovery.

Corporations which have been running in the red for weary months apparently did not take any too kindly to this, for only a few days later, the word came from the I. R. A. that a broader policy had been adopted to permit basic price codes within an industry to the effect that it will not sell for less than the cost of production. This concession will permit a considerable upward adjustment of prices and should allay fears that business might be forced to "steam up" on a red-ink basis.

Industry will contribute sufficiently to its own recovery through the pay-

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow. Jones Avgs. 30 Indus.	Dow. Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, June 5	73.15	91.89	44.41	85.86	82.23	5,009,735
Tuesday, June 6	73.52	91.90	43.33	86.16	83.21	6,216,269
Wednesday, June 7	73.79	92.98	43.53	85.78	83.51	6,641,730
Thursday, June 8	73.46	93.52	43.04	86.17	82.84	6,355,820
Friday, June 9	73.14	94.29	43.00	85.86	82.62	5,309,650
Saturday June 10	72.81	94.42	42.98	86.70	84.75	2,786,440
Monday, June 12	73.28	96.75	44.43	88.66	85.29	5,811,960
Tuesday, June 13	73.17	94.79	44.30	89.60	85.89	6,304,610
Wednesday, June 14	73.07	94.06	43.77	86.99	83.11	5,548,195
Thursday, June 15	72.66	88.87	41.41	85.53	80.27	4,893,980
Friday, June 16	72.57	89.22	41.17	82.36	78.46	5,710,256
Saturday, June 17	72.95	90.23	41.67	82.18	80.42	1,567,703
Monday, June 19	73.71	95.99	44.73	86.81	83.47	5,482,636
Tuesday, June 20	73.82	95.23	44.22	88.43	85.08	5,544,620
Wednesday, June 21	73.75	95.91	44.39	87.51	84.89	3,892,470
Thursday, June 22	73.73	92.93	43.19	87.78	83.60	4,375,855
Friday, June 23	73.80	95.52	44.56	85.97	83.47	3,314,100
Saturday, June 24	74.21	95.67	44.48	86.57	84.74	1,696,390
Monday, June 26	74.63	98.49	45.46	88.65	85.82	4,527,599
Tuesday, June 27	75.03	98.74	47.07	90.18	87.98	5,642,695
Wednesday, June 28	75.11	97.74	47.19	90.43	86.93	5,506,861
Thursday, June 29	74.91	96.99	46.95	88.93	86.16	4,594,440
Friday, June 30	74.49	98.14	48.60	89.07	85.88	3,673,920
Saturday, July 1	75.29	100.93	49.78	91.27	89.46	2,791,230

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	1933 Price Range Low	Recent Price
Alum. Co. of Amer	96	37¼	86
Alum. Co. of Amer. Pfd. (3)	77	37	75¼
Amer. Cit. P. & L. B. (.15)	6⅝	3	5
Amer. Cyanamid B	15⅜	3¼	13¼
Amer. & For. Pr. war	13⅛	2⅝	11½
Amer. Gas & Elec. (1)	50	17⅜	43½
Amer. Lt. & Tr. (2)	26¾	12	22¼
Amer. Superpower	9¼	2½	6¾
Assoc. Gas Elec. "A"	2⅞	1	1⅞
Centrifugal Pipe (.40)	4¾	2¼	4½
Cities Service	6¼	2	4¾
Cities Service Pfd	30	10½	22¾
Colum. G. & E. ov. Pfd. (5)	135	68	121
Commonwealth Edison (4)	82⅝	50	65
Consol. Gas Balt. (3.60)	70½	43¼	66½
Cord Corp. (.10)	12⅝	4⅜	11⅛
Deere & Co	41⅝	10	33¾
Elec. Bond & Share (6% stk.)	59¾	22⅛	52½
Elec. Bond & Share Pfd. (6)	66	25	59
Elec. Pr. Asoc. (.40)	12½	2½	10
Ford Motor, Fr	4⅛	2	3⅝

Name and Dividend	1933 Price Range High	1933 Price Range Low	Recent Price
Ford Motor, Ltd	5¼	2⅝	4¾
General Aviation	10	2⅞	8⅝
Great A. & P. Tea N. V. (7)	181½	128	174
Gulf Oil of Pa	61	24	58
Hudson Bay M. & S	9¾	2⅝	7¾
Humble Oil (2)	88	40	5⅛
Inter. Petrol (1.12)	18⅜	8⅞	17⅝
National Aviation	10¾	4⅞	9⅛
Nat. Bellas Hess	4½	¾	4¼
Nat. P. & L. Pfd. (6)	72½	34	68
Niagara Hudson Pwr.	16⅜	8½	12⅝
Penroad Corp	3⅞	1⅛	3⅜
St. Regis Paper	6⅞	1½	5⅝
Salt Creek Pfd. (1)	9¼	3½	7½
So. Cal. Edison Pfd. A (2)	32½	32½	32½
Standard Oil of Ind. (1)	32⅞	17	31⅛
Stutz Motor Car	18	8⅞	17
Swift & Co	23⅜	17	20¾
Swift Int'l (2)	32¾	12¼	29½
United Founders	2¾	¾	2
United Gas Corp	5	1⅛	4
United Lt. & Pow. A	9¾	2	7⅛

ment of taxes provided by the Recovery Act. Not only does this act provide brand new taxes upon industry, but it also takes away some of the relief provided by the 1932 Revenue Act. While new taxes are never liked, these levies are relatively light, and the prospects of profit after years of red ink far outweigh repugnance to handing over a proportion of gains to the tax collector In fact, the probability of sharp reversals in income accounts of leading industrial and transportation corporations, which has been a spur to stock speculation, may well become an important aid to the complete restoration of confidence when actual exhibits of restored net income are made. Operating expenses have been drastically curtailed all around and considerable increased volume will be handled without a proportionate increase in costs.

Since volume and prices are now both turning upward, the outlook for increased profits is generally good, at least during the early months of recovery. There are, of course, some considerations that becloud this outlook. Labor, taking advantage of the provisions of the Recovery Act which give it the greatest opportunity it has ever had to extend unionization into previously untouchable industries, may seek to gain too much. Industry, required to raise wages in advance of any but nominal price increases, may find costs difficult to control. It may also happen that industry, in its rush to buy raw materials, get into production and stock up on finished products in anticipation of rising costs, may outstrip actual consumptive demand. It is essential that the whole train of recovery proceed in an orderly fashion, with purchasing power and consumer demand pulling production, and production pulling prices.

But this tendency to anticipate is not lightly to be discouraged. It has so far been the prime motivating factor. We may be done with "rugged individualism" under our new system of planned economy, but individual acquisitiveness—desire for profit—fortunately, is with us still. Even could it have been demonstrated that the future of America depended upon the buying of stocks and commodities by individuals and corporations, the response would have been insignificant as compared with what has happened since it became apparent that, under anticipated inflation, there existed an opportunity for individuals and corporations to *profit*.

This irresistible profit appeal and the likelihood that the Administration, realizing its importance, will do nothing to weaken it, may prove to be the strongest factor in maintaining the pace of recovery. With this steam behind it and coming up, as it is, from relatively the lowest levels ever recorded, the writer can only conclude that the pace of recovery, subject to only brief lulls, will continue swift until a point is reached where the risks overbalance the possibilities of quick profit. Before that point is reached—say, in six months or a year—some measure of prosperity will have been regained, with normal factors governing enterprise.

Nationalism Defeating Internationalism

(*Continued from page* 262)

ity in London thinks that in such a market the dollar might fall to 50 cents, that is, that the gold price would be about twice the $20.67 of coinage valuation per ounce.

Figuring on the basis of the relation of the paper dollar to the paper pound price of gold in the London free gold market, an ounce of gold is now worth about $27, instead of the gold coinage price of $20.67. But actually the market price of gold in London is above that indicated by the depreciation of the pound, because of exchange manipulation by the Bank of France to prevent a flow of gold from Paris to the London market. With a free market in New York, gold would tend to its true commodity value, except as the remaining gold standard countries could hold it up through their mints. Even if those countries should manage to remain on the gold standard for the present the free market would soon swamp them.

It appears, then, that President Roosevelt can push the dollar down internationally to somewhere around 50 or 60 cents, if that is his goal, without resort to devaluation by presidential order or other statutory inflationary measures.

This power has made the stabilization question a most embarassing one for the British. On the one hand they want some vestiges of coinage valuation left in the world to which to tie the paper pound, and they are strenuously opposed to further depreciation of the dollar. But they fear to appear as interfering with the American domestic desire for higher prices. They are finding that even as the dollar was the real international standard when it was tied to gold, it is likely to continue so when loosed. Consequently, when the gold bloc nations, led by France, found the Dutch guilder imperilled, and returned to their position that temporary stabilization must be attained at once as the price of successful pursuance of other international problems by the Conference, the British were non-committal. At heart they favored the French demand but they feared to concede to it, lest America should indefinitely postpone stabilization, both temporary and permanent.

The French position is understandable in view of the fact that France five years ago returned to the gold standard at an 80 per cent devaluation of the franc and views with horror another deflation of her investor classes, which will become inevitable if the dollar should go much lower. So, at the time this is written America holds the whipland.

The money question will take care of itself in time, with or without, formal Conference decision; the outstanding result which the Conference may achieve is the harmonization of the requirements of economic nationalism with those of international trade. As conducted at present commercial nationalism is economic warfare, which often defeats itself. Free trade is no longer a goal and may not be again for fifty years. The constructive objective now is the utmost freedom of trade that is practically possible for that degree of foreign trade the nations need and welcome. The outlook is that the Conference (unless wrecked by the monetary problem) will set in motion tendencies that will result in the encouragement of universally welcome international trade and the formation of trade groupings which will complement or supplement particular nationalistic policies. And these peaceful relations will be freed from the disastrous consequences of gold settlements of international balances in the speculative currency exchange markets.

General Motors

(*Continued from page* 278)

port, Douglas Aircraft, Western Air Express, Transcontinental Air Transport and Transcontinental and Western Air. This gives General Motors an interest in 8,649 miles of airways, with 41,814 miles flown daily, and consolidates its manufacturing position, strengthening sales outlets substantially. The increase of its aviation activities was ably handled, costing only a few additional thousand dollars for full control of General Aviation. E. R. Breech, formerly with G M, was elected president of General Aviation, and has set out to rectify previous operating inefficiencies and put Western Air Express upon a profitable basis.

The consolidation of operating interests places G M in second position in the airways operation, giving the company control of a national network of airways and several valuable franchises. In the meantime, a movement is afoot to reduce the price of air-mail to 3 cents per ounce. While it may be expected that any move in this direction will meet the hearty antagonism of the railroads, business is in vital need of faster mail service and it is rumored that the Administration is favorable to the measure.

(*Please turn to page* 300)

Bank, Insurance and Investment Trust Stocks

IMPORTANT ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (14)	375	390
Bankers (3)	61¼	63¼
Brooklyn (4)	130	135
Central Hanover (7)	136	140
Chase (2)	27¾	29¾
Chemical (1.80)	38	40
City (1)	31⅞	33⅞
Corn Exchange (3)	58¾	60¾
Empire (1)	21½	23½
First National (100)	1395	1445
Guaranty (20)	294	299
Irving Trust (1)	20⅛	21⅝
Manhattan Co. (2)	29	31
Manufacturers	16⅞	18¾
New York (5)	91½	94½
Public (1.50)	26	28
United States Trust (70)	1570	1620

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	33	35
Aetna Life	18	20
Agricultural (2)	43	48
Carolina (.50)	13⅝	15⅝
Glens Falls (1.60)	26½	28½
Great American (1)	16¾	18¼
Hanover F. (1.60)	25¼	27¼
Hartford Fire (2)	42¾	44¾

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Home (1)	19⅛	20⅝
National Fire (2)	45¾	47¾
North River (.60)	13⅞	15⅞
Sun Life of Can	440	490
Stuyvesant	6	8
Travelers (16)	406	421
United States Fire (1.20)	26	28
Westchester F. (1)	19½	21½

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
Bond & Mtg	3¾	5¼
Lawyers Mortgage	4¼	5¾
National Surety	4	4¼

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd	17¾	21
Collateral Tr. Shares A	4⅞	5½
Amer. & Gen. Sec. $3 Pfd	32	42
Amer. & Gen. Sec. A	6	11
Interl. Sec. Corp. of Amer., Pfd	18½	23
Do Cum. Pfd	18½	23
No. Amer. Trust Shares	190	....
Second Intl. Securities A	2	5
Do 6% Pfd	18	23
U. S. & British Internl. Pfd	12	16
Uselps Voting Shares	1.12	1.21

While G M's varied activities do not all hold a competitive position equal to its place in the automotive industry, it has a good average ratio of both present and potential business and in several lines almost a monopoly. No doubt, its aviation activities will be built into money-making enterprises over a period of time. At the outset, the operation of airways may conceivably cost money. In the Winton Corp. and Frigidaire, however, one looks for large earnings, both immediate and future. In passing, it is worthy of note that one of the chief handicaps to Diesel power units has long been heavy installation costs. Some time ago Charles F. Kettering decided that a new principle of Diesel power would have to be worked out, and lately he has developed the principle to the point where installation and maintenance costs are radically reduced.

In a nutshell—and something which many stockholders gloomily realize cannot be said of all large corporations—it seems fair to make the blunt assertion that G M is managed in the interest of stockholders. It is in a strong liquid position; has consolidated its activities and is co-relating future plans; is strengthening its competitive position; is efficiently managed; is laying the foundation for a resumption of large future earnings; and will continue to show earnings, pay dividends, and maintain assets at most conservative valuations. Its foreign holdings are well protected and should be convertible through foreign banks in the event war endangers ownership. In spite of its towering capital structure, G M may be expected to show good earnings at the end of the current year if business continues to climb upward at its present rate.

Professional opinion has it that the stock at its recent quoted value, is both a good short-time speculation and long-pull investment.

Market Enters New Phase

(*Continued from page* 260)

—to be high enough for the present. Those who operate on intermediate swings, therefore, would do well to take profits on strength and buy only on pronounced weakness, for merely a quick turn.

The longer-term outlook may still be regarded as distinctly favorable. Subject to sharp reactions, in the event of materialization of some of the adverse developments which we have indicated in the foregoing, the major trend of stock prices is still upward. Long-term investors should disregard the interim of backing and filling which seems to lie immediately ahead.

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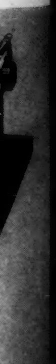

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